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# NAVAL POSTGRADUATE SCHOOL

## Monterey, California



## THESIS

**PROSPECTS FOR POLITICAL TRANSITION IN THE  
ISLAMIC REPUBLIC OF IRAN**

by

Matthew M. Gentry

December 1999

Thesis Co-Advisors:

Ralph Magnus  
Terry D. Johnson

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**Prospects for Political Transition in the Islamic Republic of Iran**

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Submitted in partial fulfillment of the  
requirements for the degree of

**MASTER OF ARTS IN NATIONAL SECURITY AFFAIRS**

from the

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## ABSTRACT

More than fifty percent of Iran's sixty million citizens were born after the Islamic revolution. As these baby boomers take their place in Iranian society, they are straining the country's social, economic, and political infrastructure. This has given rise to a pro-reform political movement that rejects the authoritarian policies of the ruling clerics. The movement began in 1997 with the landslide election of pro-reform candidate Muhammad Khatami. Since then, President Khatami has implemented democratic reforms that have infuriated the conservatives but delighted the masses. Recently, pro-reform forces have united and as such they are able to challenge the existing political power structure.

This thesis argues that the Islamic Republic of Iran is currently in the midst of a political transition that will force the ruling clerics from power. The purpose of this thesis is to explore the prospects for that political transition by evaluating three key arenas in Iran: political society, economic society, and civil society.

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## I. INTRODUCTION

More than fifty percent of Iran's sixty million citizens were born after the Islamic revolution. As these baby boomers take their place in Iranian society, they are straining the country's social, economic, and political infrastructure. This has given rise to a pro-reform political movement that rejects the authoritarian policies of the ruling clerics. The movement began in 1997 with the landslide election of pro-reform candidate Muhammad Khatami. Since then, President Khatami has implemented democratic reforms that have infuriated the conservatives but delighted the masses. As the pro-reform movement has grown in popularity, the ruling clerics have relied on the Islamic legal system to block reforms and silence their critics. However, they have also demonstrated a willingness to use force. What actions will the conservatives take if they lose their majority in the upcoming parliamentary election? Will they accept defeat or will they attempt to overturn the election? They may resort to more drastic measures.

There are a number of forces that support political change in Iran. Some existed before Khatami was elected in 1997. Others sprang to life as a result of that election. Recently, these pro-reform forces have united and as such they are able to challenge the existing political power structure. This thesis argues that the Islamic Republic of Iran is currently in the midst of a political transition that will force the ruling clerics from power. The purpose of this thesis is to explore the prospects for that political transition by evaluating three key arenas in Iran: political society, economic society, and civil society.<sup>1</sup> Before examining these areas an explanation of the theoretical framework is in order.

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<sup>1</sup> These arenas are identified in Juan J. Linz and Alfred Stepan, *Problems of Democratic Transition and Consolidation: Southern Europe, South America, and Post-Communist Europe* (Baltimore: The Johns Hopkins University Press, 1996), 3-15.

## A. THEORETICAL FRAMEWORK

Juan J. Linz's and Alfred Stepan's *Problems of Democratic Transition and Consolidation: Southern Europe, South America, and Post-Communist Europe* provides a theoretical basis for this thesis. According to the Linz and Stepan model, the process of democratic transition and consolidation is dependent upon five essential arenas: political society, economic society, civil society, the rule of law, and the state apparatus.<sup>2</sup> Although the authors recognize the individual contributions that each arena makes to the democratic transition process, they stress the importance of interaction between each of the arenas. In short, it is the interaction between the various arenas that supports the process of democratic transition.

When this model is used to depict Iran's current situation, political society appears to be the largest of the three arenas. The economic and civil arenas are smaller but they are increasing in size and importance. This thesis submits that forces in the economic and civil arenas are acting upon the larger political society in order to bring about a change that will force the ruling clerics from power.

The changes that occur in each of the arenas are important, as they are the milestones of the transition process. Of special interest are the changes that grant individuals or groups greater rights and privileges. This aspect of transition is known as liberalization.<sup>3</sup> O'Donnell and Schmitter emphasize the importance of liberalization to the transition process. "In all the experiences examined, the attainment of political

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<sup>2</sup> Ibid. The rule of law and state apparatus arenas are primarily related to the consolidation of burgeoning democracies, hence they are not included in this thesis.

<sup>3</sup> Guillermo O'Donnell and Phillippe C. Schmitter, "Tentative Conclusions about Uncertain Democracies," in *Transitions from Authoritarian Rule: Prospects for Democracy* eds. Guillermo O'Donnell, Phillippe C. Schmitter, and Laurence Whitehead (Baltimore: The Johns Hopkins University Press, 1986), 7.

democracy was preceded by a significant, if unsteady, liberalization.”<sup>4</sup> Accordingly, liberalization will be used throughout this thesis to measure the progress of transition.

## **B. THESIS INTRODUCTION**

This thesis has three main chapters, each of which is devoted to one of Iran’s societal arenas. Each chapter begins with an introductory discussion on democratic theory as it applies to that chapter’s specific topic. Then case study material is presented and key elements are evaluated to determine their level of support for transition. Each chapter concludes with an estimate of the factors that support and impede the process of political transition.

Chapter II examines the key elements in Iran’s political society that support or oppose the current regime. These components include Iran’s political culture, the political elite, unofficial political organizations, and the Iranian electorate. The division within Iran’s political elite is especially interesting, as it is the basis for the current crisis.

The Iranian economy and the changes that are currently taking place in that arena are investigated in Chapter III. Since taking office in 1997, President Khatami has attempted to develop economic reforms that would boost Iran’s sagging economy. Recently, the Iranian parliament approved a number of Khatami’s reforms that are intended to stimulate foreign investment and promote privatization. If successful, these policies should enable market forces to have greater influence in Iranian economy. Additionally, these policies have political implications, as they promote an openness that affects all of Iran.

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<sup>4</sup> Ibid.

Chapter IV explores the increasing role of civil society in Iran. Civil society is Iran's most dynamic arena. Iran's 30 million young people are just beginning to make their presence known. Additionally, Iranian women are breaking out of their sheltered environment. They are no longer willing to submit to the harsh restrictions that the conservatives have imposed upon them for the past twenty years. All of these civil changes are discussed in the Iranian media, which has experienced a rebirth since the election of President Khatami. These aspects of Iran's civil society provide considerable support for political transition.

The final chapter of this thesis summarizes the results of the previous three chapters and develops conclusions based upon those findings.

## II. POLITICAL SOCIETY

### A. INTRODUCTION

Linz and Stepan define political society in a “democratizing setting” as “that arena in which the polity specifically arranges itself to contest the legitimate right to exercise control over public power and the state apparatus.”<sup>5</sup> There is no set size or structure for the groups in a political society. Some groups may be small and highly structured, other groups may be larger and more informal organizations, and still others may simply be a segment of the society that shares certain common features. Typically, the core institutions that make up a democratic political society are: political parties, political leaders, legislatures, electoral rules, elections, and political coalitions.

The Islamic Republic of Iran is not a democratic political society. It is a theocracy, which is defined as “A form of government in which the clergy exercise or bestow all legitimate political authority and in which religious law is dominant over civil law and enforced by state agencies.”<sup>6</sup> While Iran has many of the same political institutions that are found in a democratic political society, it also has additional institutions that ensure the primacy of Shi‘i Islamic law. As a result, political leaders become the primary core institution and all others become marginalized when the regime is threatened or the issues at hand are contentious.

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<sup>5</sup> Linz and Stepan, 3-15.

<sup>6</sup> Dr. Paul M. Johnson, *A Glossary of Political Economic Terms*, Auburn University Faculty Homepage (1999) Available [Online] <<http://www.auburn.edu/~johnspm/gloss/>>[10 October 1999].



Increasingly, Iranians openly question the legitimacy of the ruling clerics because their abuse of power is so apparent. The election of reform candidate Mohammad Khatami in May 1997, marked a watershed event because Iranian voters realized they had the power to change the system. Since that election there has been an ongoing battle between the ruling clerics and the reformists. Will Iran's political society continue to question the legitimacy of those in power? How will those in power deal with the demands for increased democratic participation? Can the clerics maintain the status quo or will they be forced to accept change? This chapter will examine the core institutions in Iran's political society, the role they have played in opposing change, and the changes that have occurred since the election of President Khatami.

## **B. POLITICAL SOCIETY AND TRANSITION**

In recent years, numerous countries around the world have transitioned to democracy. Consequently, analysis of the transition process has increased and explanatory theories abound. Some theories contend that the transition path is determined by institutional factors. Other theories rely heavily on historical and cultural conditions and still others propose structural theories. Although each of these theories develop different arguments, most recognize that certain conditions must be met to complete the transition process to democracy. These conditions include the actions of the elite, the participation of the masses, the political culture, and the political society's capacity for change.

### **1. The Elites**

In a political society, elites are the individuals that occupy the institutional seats of power.<sup>7</sup> They are empowered to make decisions that can alter the course and speed of the political transition or to maintain the status quo. The elites are critical to the transition process because “. . . if they want democracy, they will produce and get democracy.”<sup>8</sup> As the elites have the prerogative to alter the status quo, they often will be targeted by the forces of change.

### **2. Political Culture**

There are numerous definitions for political culture. According to Lucian Pye, political culture is “only those critical but widely shared beliefs and sentiments that form the ‘particular patterns of orientation’ that give order and form to the political process. In sum, the political culture provides structure and meaning to the political sphere in the same manner as culture in general gives coherence and integration to social life.”<sup>9</sup> Political culture is significant to the process of democratic transition because it shapes the way the elites and all other members in political society behave.

### **3. The Masses**

The participation of the masses is also vital to the process of democratic transition, as it is one of the primary forces that act on the elite. Mass participation

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<sup>7</sup> Mehran Tamadonfar, *The Islamic Polity and Political Leadership: Fundamentalism, Sectarianism, and Pragmatism* (London: Westview Press, 1989), 13.

<sup>8</sup> Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman: Oklahoma University Press, 1991), 36.

<sup>9</sup> Lucian Pye in *Cultural Foundations of Iranian Politics*, M. Reza Behnam (Salt Lake City: University of Utah Press, 1986), 18.

humanizes the transition process. It forces the elite to confront their own emotions of guilt, doubt, empathy, sympathy, and all the rest. This increases the significance of political culture, as those values and norms are shared by the people and the elites. In fact, participation of the masses is the central component of any democracy.<sup>10</sup>

#### **4. Capacity for Change**

The capacity for change is an essential element of political transition because it represents the boundaries and flexibility of a political society. Those boundaries will change with time, as a given society is more or less incline to endure hardships.

In summary, the decision to change the status quo belongs solely to the political elite. Along with the elite, there are other core institutions in the political society, each of which influences the elite's decision making process. Often in cases of democratic transition, once these institutions begin to act in unison, liberalization occurs. Furthermore, liberalization may be followed by a transition to democracy if the influence of the institutions is great enough.

#### **C. IRANIAN POLITICAL SOCIETY**

Iranian political society is in many ways a dichotomy. In some aspects, it is mature and sophisticated, in other ways it is underdeveloped and austere. Iran's elite are the ruling clerics. Although Shi'i clerics have been involved in politics since the middle of the seventh century, these clerics have only been in power for twenty years. Similarly, Iran does not have political parties that are comparable to those in the Western

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<sup>10</sup> Tamadonfar, 22.

democracies. Ayatollah Khomeini banned political parties and only recently have they begun to reemerge. In spite of Khomeini's ban, Iran has numerous unofficial political parties; for years they have worked behind the scenes to accomplish their goals.

The Iranian electorate also has demonstrated a split personality. For years it has been docile and compliant, willingly accepting the restrictions of the Islamic regime. Recently however, the electorate has awoken from its slumber and begun to place demands on the elite. The nature of Iranian politics may be explained in part by Iran's political culture.

#### **D. IRANIAN POLITICAL CULTURE**

##### **1. Authoritarian and Antiauthoritarian**

Duality is a predominant feature of Iran's political culture. The two themes of that duality are authoritarianism and anti-authoritarianism. Iran's long history of monarchical rule and the hierarchical nature of Islam are the basis of the authoritarian political culture.

Iran's history dates back some 2,500 years and can be divided into the pre-Islamic and Islamic periods. The pattern of events is generally the same, with greater or lesser figures in power, the forming of empires and dynasties, warring factions, encroachments and conquests—and the process is repeated again and again. Acceptance of authority in the political realm meant the dominance of a "strong leader," historically an autocratic monarch. Unrestricted by law, institutions, or tradition, the absolute power of the shahs extended as far as ambition, whim, or personal capacity permitted.<sup>11</sup>

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<sup>11</sup> M. Reza Behnam, *Cultural Foundations of Iranian Politics* (Salt Lake City: University of Utah Press, 1986), 7.

Iran's anti-authoritarian political culture rejects authoritarian figures that are perceived as illegitimate. The rebellious nature of Shi'i Islam is the primary source of Iran's anti-authoritarian political culture. However, the Constitutional Revolution in the early 1900's, the nationalization of the oil industry in the 1950's, and the Islamic Revolution in the late 1970's, have each contributed to the development of anti-authoritarianism.

## 2. Quest For Justice

The concept of justice, especially in politics and government, is a primary component of Iran's political culture. The reason for this is directly related to the origins of Shia Islam and its patriarch, Ali. According to Shiites, Ali as the rightful heir to the Prophet Muhammad, suffered the greatest of injustices when the leadership position of the Islamic faith went to Abu Bakr instead of Ali.<sup>12</sup> Furthermore, the concept of justice is especially precious to Shia Islam because Ali valued it, and one of the central Shia tenets is love for Ali and devotion to his beliefs. "Ali's image as a champion of egalitarianism within the pristine Islam of the Prophet amplified the deep emotional appeal of his personal attributes—modesty, self-sacrifice, knowledge of the sacred texts of Islam, and a passion for justice."<sup>13</sup> Throughout the twentieth century, the Iranian polity has embraced the concept of justice and searched for a just leader, a leader with Ali's passion for justice.

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<sup>12</sup> Moojan Momen, *An Introduction to Shi'i Islam: The History and Doctrines of Twelver Shi'ism* (London: Yale University Press, 1985), 11.

<sup>13</sup> Sandra Mackey, *The Iranians: Persia, Islam and the Soul of a Nation* (New York: Plume, 1996), 50.

While the themes of authoritarianism and antiauthoritarianism have coexisted, at times they have been in open conflict. Iran's current political situation is an example of that conflict and the quest for justice. Iran's political society is torn between the desire to support the authoritarian leadership of the Islamic Republic and the desire to rebel against that same authoritarian leadership because it lacks legitimacy.

### 3. Velayat-e Faqih: The Guardianship Of The Jurist <sup>14</sup>

Ayatollah Khomeini and his teachings on the Velayat-e Faqih are one of the unique aspects of Iran's political culture. His political philosophy dramatically changed Iran's political culture, as such it deserves examination.

The concept of Velayat-e Faqih (Guardianship of the Jurist) is similar to the concept of *guardian ad litem*<sup>15</sup> in Western legal systems. Shi'i jurists or *faqihs*, are entitled to make legal judgements based on the laws of Islam. When a jurist acts as a guardian for a given Muslim community, he is practicing Velayat-e Faqih.

The necessity for jurists and the Velayat-e Faqih stems from the legal vacuum that occurred following the death of the Twelfth Imam. The Prophet Muhammad was the original guardian jurist. After Muhammad died the duty was passed down to his successor, also known as "Imam." According to "Twelver" Shi'i Islam, there have been twelve Imams, the last of which went into hiding or "occultation" in the ninth century AD. However, prior to his recluse, the twelfth Imam did not prescribe a means of

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<sup>14</sup> Also referred to as the "Leadership," "Authority," or "Governance" of the Jurist.

<sup>15</sup> A *guardian ad litem* is an individual who is given legal custody of another person. The court usually appoints a guardian ad litem when a person is unable to manage his or her own affairs, such as a child or mentally disabled person.

arriving at legal judgments in his absence. Since then, the leaders of the Shi'i faith have debated who is qualified to be a jurist and, what the scope of their jurisdiction or guardianship. The Shi'i religious leaders easily resolved the issue of who should be a jurist by establishing a criterion of specific religious and legal training. However, the issue of jurisdiction as it relates to the Velayat-e Faqih has yet to be resolved.

**a)     *The Traditional Shi'i Interpretation***

The scope of a Velayat-e Faqih's jurisdiction, according to the traditional Shi'i interpretation, is generally limited to three areas. The first area of guardianship is over individuals, such as widows, orphans, or the elderly; those who are vulnerable to exploitation. The second area of guardianship protects the property and activities that are vital to the religious life of the community. Examples of this velayat include: administration of charitable donations, mosques, and schools; as well as those acting as arbiter or judge in a Shari'a court. The third area of guardianship ensures the integrity of the Muslim community by promoting the Qur'an, its philosophy of doing good and avoiding the reprehensible. Examples of this velayat include: publicly reprimanding those Muslims who openly disregard the teachings of the Prophet, interceding when secular authorities oppress or victimize members of the Muslim community, or compelling the wealthy to provide for the less fortunate during times of crisis. "The existence of a jurisprudential velayat over these areas of community life is a matter of virtually unanimous agreement among Shi'i authorities."<sup>16</sup>

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<sup>16</sup> Gregory Rose, "Velayata-e Faqih and the Recovery of Islamic Identity in the Thought of Ayatollah Khomeini," in *Religion and Politics in Iran: Shi'ism from Quietism to Revolution*, ed. Nikki R. Keddi (London: Yale University Press, 1983), 169.

*b) Ayatollah Khomeini's Interpretation*

Some Shi'i scholars, including Ayatollah Khomeini, believe that there is a fourth area of responsibility for the Velayat-e Faqih. They submit that jurists have a divine mandate to assume direct political authority and administer the daily operations of government. This interpretation of the Velayat-e Faqih's responsibilities is highly contentious because it violates three long-standing principles of Shi'i Islam.

First, critics claim Khomeini's interpretation of the Velayat-e Faqih's responsibilities is erroneous because it allows Shi'i jurists to operate in areas that are the exclusive domain of the Imams.

There has been little disagreement over the right of jurisprudents to engage in political activities, especially those aimed at redressing injustices or protecting the religious and moral standards of Islam. However, this fourth claim extends beyond this to the actual administration of government and institutional control over political processes, powers which belong to the "universal authority" of the imams.<sup>17</sup>

Second, there is virtually no historical precedence to support the idea that the responsibility of the Velayat-e Faqih extends to the exercise of political authority.

This brief historical excursion confirms the original suggestion that any velayat-e faqih in political matters is extremely limited in Shi'i tradition. With exception of the eighteenth century C.E., in no period has direct political authority has been claimed for jurisprudents by any significant number of Shi'i authorities. Rather, the appropriate political velayat of jurisprudents was defined in terms of occasional intervention into political affairs to redress grievous wrongs and safeguard the religious and moral standards of Muslim society. Judged against this standard, Khomeini's concept of the velayat-e faqih appears radical.<sup>18</sup>

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<sup>17</sup> Ibid., 170.

<sup>18</sup> Ibid., 176.



Third, while there are numerous factors and principles that must be considered in the debate over the Velayat-e Faqih and the legality of the fourth area of jurisdiction, one principle in particular stands in opposition to Khomeini's interpretation. Ihtiyat is the well established principle of exercising "prudence and caution, lest one stray from the path of the Imams"<sup>19</sup> when a jurist is formulating a legal opinion.

Thus *ijtihad* may be defined as the process of arriving at judgments on points of religious law using reason and the principles of jurisprudence (*usul al-fiqh*). The aim of *ijtihad* may be thought of as uncovering (through knowing transmitted sources as well as through rational processes) knowledge of what the Imams would have decided in any particular legal case. Although theoretically the process of *ijtihad* may appear to give mujtahids<sup>20</sup> a great deal of latitude for innovative thinking, in practice the concurrent attitude of *ihitiyat* (prudence and caution, lest one stray from the path of the Imams) has severely limited an initiatives outside the traditional avenues of thought and practice.<sup>21</sup>

In 1970, Khomeini first spoke publicly about his interpretation of the Velayat-e Faqih. The exiled cleric gave a series of 19 lectures on the subject to the students of theology in Najaf, Iraq. Detailed notes of that lecture series were later published as Khomeini's book, *Velayat-e Faqih* (alternately titled *Islamic Government*). In that work, Khomeini acknowledges the necessity of government and the need for political revolution given certain unjust conditions. He provides a detailed framework for an Islamic system of government, which he submits, should be governed by jurists.<sup>22</sup>

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<sup>19</sup> Momen, 186.

<sup>20</sup> Those who practice *ijtihad*.

<sup>21</sup> Momen, 186.

<sup>22</sup> Ayatollah Ruhollah Khomeini, *Islamic Government*, trans. Joint Publications Research Service (New York: Manor Books, 1979), 25.

Khomeini developed the theological concept to address two of his major areas of concern for Shi'i Islam in Iran: the West's cultural, political, and economic penetration of Iran and the injustice of the monarchy<sup>23</sup>. Khomeini believed both were responsible for the alienation and loss of spirituality which he observed in Iran's Shi'i community. Furthermore, he believed these conditions were so severe that they threaten the very foundations of Shi'i Islam. For Khomeini, the only conceivable alternative was revolution and the establishment of an Islamic state.<sup>24</sup> What was once theology had been transformed into political ideology.

#### **E. THE ELITE**

The constitution of the Islamic Republic of Iran is the legal framework for the Islamic Republic of Iran and the source of power for Iran's elite. In many ways it is similar to the constitutions of Western democracies as it establishes executive, legislative, and judicial branches of government; enumerates the duties, responsibilities, and privileges of each branch; and guarantees certain rights for the people. However, it should not be mistaken for a democratic constitution as it contains a number of loopholes and caveats which allows the elite to act in a totalitarian manner.<sup>25</sup> In addition to the three traditional branches of government, the constitution establishes three additional institutions. These institutions, which are controlled by the clerics are: the Council of Guardians, the Assembly of Experts, and the Velayat-e Faqih. They represent the true seat of power within the Islamic Republic. Their purpose is to safeguard the Islamic ordinances and the constitution, and as such, their power is near absolute.

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<sup>23</sup> Mackey, 233.

<sup>24</sup> Khomeini, 5.

<sup>25</sup> All of the rights stated in the constitution are conditional. The Velayat-e Faqih or other senior jurists are empowered to deny rights, if in their opinion, they are not in accordance with Islam.

## **1. The Leader**

The highest authority in the Islamic Republic is the Leader. His duties and powers include: establishing the general policies for the country, ensuring the execution of those policies, acting as supreme commander of the armed forces, declaring war and peace, appointing all high office holders, resolving differences between the three branches of the armed forces, validating presidential elections, dismissing the President of the Republic, and granting pardons.<sup>26</sup>

The Leader is the embodiment of Ayatollah Khomeini's interpretation of the Velayat-e Faqih, and as such, his power is virtually limitless. The current leader, Ayatollah Khamenei, is considerably less strident than his predecessor Ayatollah Khomeini. Although he is a conservative cleric and bears ultimate responsibility for Islamic purity of the theocracy, he has given Khatami considerable leeway over the past two years. For example, he allowed Khatami to appoint a woman as his Vice President and he did not object when Khatami appointed individuals that favored reform to sensitive cabinet posts.

Khatami's own Minister of Islamic Guidance, 'Ata'ollah Mohajerani, has antagonized Iran's conservatives by criticizing the restriction of personal freedom, by advocating the amendment of the constitution (to allow Rafsanjani's re-election), and, above all, by writing an article in Ettela'at in April 1990 arguing in favor of dialogue with the United States.

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<sup>26</sup> Constitution of the Islamic Republic of Iran, Article 110.

Similarly, Khatami's Minister of the Interior, 'Abdollah Nuri has championed liberalism in Iranian domestic policy, and vehemently criticized the conservatives, particularly Majlis Speaker Ali Akbar Nateq Nuri. Similarly, the conservatives mistrust the new Foreign Minister, Kamal Kharazi, because he has spent many years in the United States, first as a student and then as United Nations ambassador.<sup>27</sup>

In 1998, Khamenei spoke of the need for democratic principles. Specifically, he referred to Ayatollah Khomeini's desire for the Velayat-e Faqih to be someone that the people respected as a leader.

We should pay close attention to what has been said by the Imam. First, he wants to emphasize the fact that the election of the leader is according to the will of the people, and nothing is affecting the issue but the will of the people. Second, if the experts are really elected by the people, they can choose the leader, and start their work as experts, and this will be approved by the people. However, if another method is exercised, it cannot be accepted. The Imam considered the role of people to be vital, and the most basic condition for the elections.<sup>28</sup>

Furthermore, Khamenei has not intervened in the ongoing battle over the media and what they will be allowed to publish. Since Khatami took office, the number of newspapers in Iran has skyrocketed. Ten years ago, Tehran had five daily newspapers. As of April 1998, that number had increased to seventeen morning papers and four afternoon newspapers. In fact, Iran has almost 1000 different journals, magazines, and newspapers.<sup>29</sup> Instead of resolving any number of contentious issues by decree, he has allowed the conservative and pro-reform factions to fight it out in the public forum of the media.

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<sup>27</sup> David Menashri, "The New Iranian Government: Continuity and Change," *The Washington Institute for Near East Policy: Policywatch* 266 (1997) Available [Online] < <http://www.washingtoninstitute.org/watch/Policywatch/policywatch1997/266.htm>> [31 October 1999].

<sup>28</sup> "Hojjat ol-Eslam Seyyed Hadi Khamene'i Addresses Large Student Gathering: We Are Ready To Debate!," Tehran: *Jahan-e Eslam* (7 October 1998), FBIS Daily Report--Near East/South Asia, 15 November 1999 (FTS19981127000310).

<sup>29</sup> Barry May, "Iranian press finds new freedom," *Reuters World Report* (22 April 1999) Available [Online] < <http://www.gsnonweb.com/>> [15 November 1999].

Since the July riots at the University of Tehran, the Supreme Leader's remarks seem to indicate that his support for Khatami has increased. In October 1999, he issued a stern warning to hard-line Muslim clerics and their supporters.

I have heard that some people in some quarters have said that they will take matters into their own hands and will mete out punishment. Never! Never! In an Islamic system, punishment is the authorities' prerogative. Any such act from any person is forbidden, and now that I have forbidden it, it is not only legally barred but religiously forbidden.<sup>30</sup>

Moreover, Khamenei made these remarks at the shrine of Ayatollah Khomeini, during the centennial anniversary honoring the birth of late leader. In that same speech, Khamenei came out in support of the President, he said that Khatami "is pious; he loves the household of the Prophet Mohammed, and he is working for the rebirth of Islam."<sup>31</sup>

Whether Iran's spiritual leader has actually moved closer to President Khatami's pro-reform movement remains to be seen. Nevertheless, the fact that he has refrained from taking a hard-line position bodes well for the prospects of continued liberalization and democratic transition.

## **2. President Khatami**

The office of the President in the Islamic republic is second only to the position occupied by the supreme spiritual leader, Velayat-e Faqih. Directly elected by the people for a four-year term, the President heads the executive branch of government and oversees the legislative and the judicial branches. Additionally, the President acts as the

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<sup>30</sup> John F. Burns, "Iran's Religious Leader Tries to Defuse Clash with Reformist President," *New York Times Online* (4 October 1999) Available [Online] <<http://www.iranian.com/News/1999/October/defuse.html>> [10 November 1999].

<sup>31</sup> Ibid.

head of state for the Islamic Republic, signs laws passed by the Majlis, chairs the National Security Council, and prepares budgets and development plans.<sup>32</sup>

The Iranian presidential election of 1997 reflected the Iranian electorates' desire for change. Previous administrations had not produced the economic prosperity that the country needed and Iranians desperately wanted. Additionally, Iranians had lost much of their revolutionary zeal and they wanted someone that could bring Iran back from the extreme.

Khatami's message was one that was very different from the front-runner, Nateq-Nuri's. "Khatami's campaign statements signaled policies of relative openness and tolerance, and a focus on social welfare and economic rehabilitation-all of which would implicitly entail a less confrontational posture toward the outside world."<sup>33</sup> Khatami inspired hope because he looked to the future in new and different ways. His message especially appealed those segments of society that were most alienated from the system, women and young people.<sup>34</sup>

Since Khatami became president in August 1997, he has been instrumental in bringing about considerable social, political, and economic changes.<sup>35</sup> He has changed Iranian politics by fulfilling his campaign promise to bring the rule of law back into Iran's political society. Moreover, he has actually managed to force the conservative

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<sup>32</sup> Constitution of the Islamic Republic of Iran.

<sup>33</sup> David Menashri, "Assessing Khatami's Victory in Iran," *The Washington Institute for Near East Policy: Policywatch* 257 (1997) Available [Online] < <http://www.washingtoninstitute.org/watch/Policywatch/policywatch1997/257.htm> > [28 October 1999].

<sup>34</sup> Stephen C. Fairbanks, "Theocracy Versus Democracy: Iran Considers Political Parties," *Middle East Journal* 52 (Winter 1998): 18.

<sup>35</sup> Scheherezade Faramarzi, "Iran Leader Pushes Liberal Reforms," *Associated Press* (21 December 1998) Available [Online] <<http://www.iranian.com/News/Dec98/reforms.html>> [15 November 1999].

elements to acknowledge the need for the rule of law.<sup>36</sup> No longer are conservatives able to do as they please without the possibility of being held accountable for their actions. In early 1999, Khatami ensured that individuals from the Intelligence Ministry were brought to justice for killing numerous members of Iran's dissident community in 1998.<sup>37</sup>

Thus far, the two changes that have been most significant to liberalization and increasing the possibility of transitioning to democracy, are the emergence of a relatively free and independent press, and the nation wide election in February 1999 of more than 200,000 local council members. The free press has been doing what a free press is supposed to do, challenge the actions of the elite when those actions appear to be questionable. The council elections helped to bring democratic principles to the grassroots level of Iran's political society.<sup>38</sup>

Clearly, Khatami appears to be one of the elites that strongly supports democratic principles. While he is pushing hard to help along the transition process, he is not the only elite that makes these types of decisions. Iran's elite are found throughout the political society and many do not support increased liberalization. Nevertheless, Khatami's efforts to liberalize Iran's political society have significantly increased the likelihood that democratic transition will occur.

### **3. The Majlis**

The Iranian legislative branch is a unicameral body known as the Majlis. There are 270 members in this parliament and they are elected once every four years. There

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<sup>36</sup> Vahe Petrossian, "Hiatus at Half-Time," *Middle East Economic Digest* (30 July 1999): 2.

<sup>37</sup> Scott Peterson, "Iran's arrests of intelligence officers may be watershed," *Christian Science Monitor* (7 January 1999) Available [Online] <<http://www.iranian.com/News/Jan99/watershed.html>> [15 November 1999].

<sup>38</sup> Petrossian, 2.

have been five different Majlis bodies since the establishment of the Islamic Republic in 1979. National elections for the sixth Majlis are scheduled for 18 February 2000.<sup>39</sup>

Historically, conservatives have controlled the legislative branch. The current Majlis is primarily conservatives. Since there are not official political parties in Iran it is difficult to make a full accounting of each political faction. However, the votes cast for speaker of the Majlis in May 1999, gives some indication of the size of the conservative faction. "The official Iranian news agency IRNA said Nouri received 161 votes, while left-wing reformist Majed Ansari received 85 votes out of the 246 members attending today's session of the 270-seat Majlis, or parliament"<sup>40</sup>

For the past two years, conservatives in the Majlis have been President Khatami's main opposition. Conservatives in the Majlis have chipped away at the reform movement by targeting Khatami's political allies.

Khatami and his associates have long been beleaguered. Last year, a popular Teheran Mayor with close links to the President, Gholam Hossein Karbaschi, was sentenced to five years in jail and a lifetime ban from politics at a corruption trial that many Iranians saw as a political vendetta. In June 1998, Nouri, then the Interior Minister, was ousted in a parliamentary no-confidence vote. In May this year, the Culture Minister, Ataollah Mohajerani, another cleric, narrowly survived impeachment by parliamentary conservatives angry at his failure to control pro-reform newspapers. In February, Mohsen Kadivar, another dissident cleric, was imprisoned on the clergy court's orders on charges of "defaming Islam," in part by writing a newspaper article in which he compared the authoritarian society favored by the conservatives with the rule of the Shah.<sup>41</sup>

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<sup>39</sup> "Who's Who: State: Legislature," *Iranian Yearbook Online* (1996) Available [Online] <<http://www.netiran.com/whoswho.html>> [15 November 1999].

<sup>40</sup> "Conservative speaker re-elected in Iran," *Associated Press* (30 May 1999) Available [Online] <<http://www.iranian.com/News/1999/May/speaker2.html>> [15 November 1999].

<sup>41</sup> John F. Burns, "With Iran's Reforms at Stake a Moderate Digs In," *New York Times Online* (24 October 1999) Available [Online] <<http://www.iranian.com/News/1999/October/defuse.html>> [10 November 1999].



Additionally, the Majlis targeted the media in an attempt to silence the increasing chorus of criticism. However, their efforts in this area have in many ways backfired. In early July 1999, the Majlis attempted to amend the current press law; simultaneously, a conservative court closed down the pro-reform newspaper, Salam. These two incidents led to six days of student demonstrations and riots throughout the country.<sup>42</sup>

In sum, conservatives in the Majlis are the elite that have been most active in the defense of the status quo. They have fought a multi-front battle in an effort to prevent further erosion of their power. Given its current membership, it is doubtful that the Majlis would come to support liberalization. They are a considerable obstacle to democratic transition.

#### **4. The Council of Guardians**

The Council of Guardians is comprised of twelve members (six Islamic clerics and six civilian jurists). The Velayat-e Faqih appoints the six clerical members and the six civilian jurists are elected by the Majlis from a list of "approved" candidates. The appointment process ensures the Islamic integrity of the council.<sup>43</sup>

The council is in effect an upper house of the legislative branch of government. It is responsible for ensuring all measures passed by the Majlis are in accordance with Islamic law and the constitution prior to becoming law. Additionally, the Council of Guardians is responsible for oversight of presidential and general elections, including the vetting of all candidates.<sup>44</sup>

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<sup>42</sup> "Report on Tehran University Unrest," Tehran: *IRIB Television First Program Network* (14 August 1999), FBIS Daily Report--Near East/South Asia, 15 November 1999 (FTS19990816000493).

<sup>43</sup> Constitution of the Islamic Republic of Iran, Articles 94-99.

<sup>44</sup> Ibid.

Conservatives, who are opposed to changing the status quo, control the Council of Guardians. Their two most powerful tools are the ability to vet candidates and the right to reject legislation that does not meet with their approval. The council has not shied away from exercising its power to prevent reform and liberalization efforts. As such, the Council of Guardians undoubtedly will be another major obstacle to the democratic transition process.<sup>45</sup>

#### **F. POLITICAL PARTIES**

During the first two years of the Islamic Republic, nearly 100 political organizations were established. Several of these political organizations sought to challenge the power of the clerics that were in control of the Islamic Republic. Unwilling to deal with political challengers any longer, Ayatollah Khomeini in 1981, supported legislation that severely restricted the existence of political parties. The law specified that all groups must file an application with the Interior Ministry and receive a permit before they would be allowed to establish a political party. The Political Parties Law, which is still in effect, allowed Khomeini to eliminate all political parties except his own Islamic Republic Party.<sup>46</sup>

Prior to the election of Khatami in 1997, clerical leaders circumvented the law by delaying the issuance of permits. These delays were initially blamed on the eight-year war with Iraq. In 1988, Interior Minister 'Ali Akbar Mohtashami claimed permits could not be issued during the war because all of his resources had been dedicated to the nation's defense. Once the war ended, the Interior Ministry announced that parties could

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<sup>45</sup> "Iran MP's clerical body deadlocked on election law," *Reuters World Report* (12 October 1999) Available [Online] < <http://www.gsnonweb.com/> > [16 November 1999].

<sup>46</sup> The Islamic Republic Party was dissolved in the mid-1980's by Ayatollah Khomeini.

apply for permits between 30 December 1988 to 20 March 1989. Although a number of groups submitted applications for permits, the ministry did not issue a permit to any of Iran's major political organizations. From 1989 to 1997, conditions remained essentially static. The Interior Ministry maintained tight control of the permit process and only issued permits to organizations that presented no threat to the regime.<sup>47</sup> Fearing loss of control once Khatami's administration came to power, the Majlis created a special committee that works with the Interior Ministry on the permit process. As a result only a limited number of permits have been issued, and those have gone to mainstream organizations.

Since the election of Khatami in 1997, there has been renewed interest in political parties throughout Iran's political society. Support for the reestablishment of political parties is divided predominantly along ideological lines. Supporters of the conservative clerics oppose the change, whereas Khatami and other reformists support the formation of parties. Interior Minister Abdolvahed Mousavi Lari recently spoke of the need for change. "We must find a strategy to best achieve this goal, given the new atmosphere created and emphasis in the constitution on the need for parties and people's participation in the political process."<sup>48</sup> Lari stressed two of the administrations favorite themes: responsibility and tolerance. "We expect that parties will strive for greater transparency and play the rules of the game. We have to learn to tolerate each other, that no one is absolutely right."<sup>49</sup> One month after Lari's address, permits were granted to the following organizations: the Society of Solidarity of Students and Graduates of

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<sup>47</sup> Fairbanks, 19.

<sup>48</sup> Mehrdad Balali, "Iran reformist government seeks political parties," *Reuters World Report* (August 8 1999) Available [Online] < <http://www.gsnonweb.com/> > [1 November 1999].

<sup>49</sup> Ibid.

Islamshahr, the Islamic Association of Gilan Province Teachers, the Green Party, the Association of Solidarity of Irania Youth, and the Association of Members of the Academy of Gilan Medical Science University.<sup>50</sup>

It is doubtful that the regime will radically change its policy on political parties in the near future. However, public debate over the constitutionality of the current policies has forced the regime to consider liberalization.

### **1. Political Factions**

The restrictions on political parties in the Islamic republic has given rise to a number of political factions. The ideology of the major factions mirrors the ideologies found in Iran's political society, conservative and reformist.<sup>51</sup> The official status of these groups ranges from organizations that are de facto political parties (that are not recognized) to outlawed organizations.

#### **a) *Jame'eh-ye Rowhaniyat-e Mobarez (JRM)***

The Jame'eh-ye Rowhaniyat-e Mobarez (Association of Militant Clerics) is the most powerful organization of clerics in Iran. Established in 1936 to oppose Reza Shah, this conservative right-wing organization's political accomplishments include backing Ayatollah Khomeini in 1963 and in 1979. However, Khatami defeated their candidate, Nateq-Nuri in the 1997 presidential election. Currently, JRM members are the

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<sup>50</sup> "Majles Commission Licenses Six Political Groups," Tehran: *Islamic Republic News Agency (IRNA)* (25 September 1999), *FBIS Daily Report--Near East/South Asia*, 12 October 1999 (FTS19990925000859).

<sup>51</sup> "Political Factions Inside Iran Today," *Eurasia Research Center*, (1998) Available [Online] <<http://eurasianews.com/iran/factions.htm>> [1 November 1999].

largest faction in the Majlis, occupying 110 of the 270 seats. Support for Ansar-e Hezbollah and opposition to Khatami has hurt JRM's public image.<sup>52</sup>

**b) *Majma'-e Ruhaniyun-e Mobarez (MRM)***

The Majma'-e Ruhaniyun-e Mobarez (Assembly of Militant Clerics) represents the left wing of the Islamic political spectrum. The clerics in the MRM advocate a centralized economic model and improved social welfare programs, as well as greater personal, political, and cultural freedom. In 1996, the MRM initially nominated a non-cleric to run for the presidency. Ayatollah Khamenei rejected that nominee but allowed the MRM's second choice, Muhammad Khatami to enter the presidential race. The MRM and its newspaper, Salam, are strong supporters of Khatami, even though he is not considered to be a member of this faction.<sup>53</sup> The government's closure of Salam in July 1999, sparked student demonstrations and rioting that lasted for six days.<sup>54</sup>

**c) *Kargozaran-e Sazandegi (KSP)***

The Kargozaran-e Sazandegi (Servants of Construction) is a moderate faction made up of technocrats. Established in 1996 by supporters of Rafsanjani, the KSP supports market economic reforms, relatively liberal cultural policies and improved economic relations with the west.<sup>55</sup> In 1997, they supported Khatami's bid for the presidency. Currently, KSP members are the minority faction in the Majlis, occupying 80 of the 270 seats. However, on October 19, 1999, the group's acting Secretary

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<sup>52</sup> Fairbanks, 23-25.

<sup>53</sup> Ibid.

<sup>54</sup> Jonathan Lyons, "Iran clerics convict reformist publisher," *Reuters World Report* (July 25 1999) Available [Online] < <http://www.gsnonweb.com/> > [3 November 1999].

<sup>55</sup> Political Factions, Eurasia.

General, Hussein Marashi, announced that they will attempt to form a coalition with Khatami's political organization in order to consolidate the power of the reformist forces.<sup>56</sup>

## **G. POLITICAL PARTICIPATION**

In the twenty years since the Islamic revolution, there have been various levels of political participation. If depicted graphically, levels of participation would resemble an inverted bell curve, with the greatest participation occurring in the first two years and the last two years. The nadir occurred during the late 1980's. The recent upswing in political participation is undoubtedly related to the election of Khatami and the popularity of his reform efforts. The conservatives are fearful of losing power and have fought the reformers at every opportunity. However, in many instances that strategy has backfired on the conservatives. Attacks on the reformers appeared to be attacks on the public. It was obvious the conservatives put their desire for power ahead of the public's welfare. Not surprisingly, public support for Khatami and the reform movement increased even more.

### **1. Elections**

National elections are held on a regular basis in the Islamic Republic, however, they are not free elections. The regime controls the election process by allowing only approved candidates to run for office. This practice, known as "vetting," has been an effective way for the regime to create an illusion of democracy, while still manipulating

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<sup>56</sup> "Construction Group To Retain Coalition With 2 Khordad," Tehran: *Islamic Republic News Agency (IRNA)* (19 October 1999), *FBIS Daily Report--Near East/South Asia*, 21 October 1999 (FTS19991019000346).

the election process. However, the election of Khatami in May, 1997, demonstrates that vetting does not always guarantee the outcome of a given election.

In February 1999, municipal elections were held for the first time in twenty years. Although constitutionally mandated, the elections had been ignored until President Khatami added them to his reform agenda. "Khatami went to extremes in this exercise in local democracy, creating 200,000 council positions, or one for every 300 Iranians (by comparison, counties, townships, and municipalities in the United States have 320,000 elected officials, or one for every 900 residents)."<sup>57</sup> While it is unclear exactly what impact, if any, municipal elections and local councils will have on national politics, it is nevertheless a positive indication of the democratic process in Iran.

The next nationwide election is scheduled to take place in February, 2000. The issue of vetting for that election continues to be a source of friction between conservatives and reformers. Recent efforts to reform the vetting process failed. The Council of Guardians vetoed a bill that would have limited its power by requiring it to provide a written explanation of its decision to the disqualified candidate.<sup>58</sup> Currently, there is an ongoing effort by conservatives, who are fearful of losing their majority in the Majlis, to change the election laws prior to the February election.

The Iranian electorate brought the reform movement to life with their overwhelming support of Khatami in the 1997 presidential election. Since then, they have demonstrated that they are eager to exercise their constitutional right to vote.

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<sup>57</sup> Patrick Clawson, "Iran's Domestic Infighting Worsens," *The Washington Institute for Near East Policy: Policywatch* 370 (1999) Available [Online] < <http://www.washingtoninstitute.org/watch/Policywatch/policywatch1999/370.htm> > [31 October 1999].

<sup>58</sup> Burns.

Without a doubt, the willingness of the Iranian electorate to participate in the political process and their belief in the pro-reform movement provides the strongest support for continued liberalization and the transition to democracy.

## H. CAPACITY FOR CHANGE

The fact that liberalization often precedes democratic transition was explored in the introduction to this thesis. Is there evidence of liberalization in Iranian political society? Are those changes significant enough to indicate further transition? A review of the factors in Iran's political society that support or impede liberalization is summarized in Table 2.1.

**Table 2.1 Potential for Democratic Transition in Iran: Political Society.**

<b>Political Factor</b>	<b>Support for Political Liberalization</b>	<b>Impediments to Political Liberalization</b>	<b>Potential for Democratic Transition*</b>
<b>Political Culture</b>	Anti-authoritarianism, Need for legitimate and just rulers	Authoritarianism	Moderate to High
<b>Velayat-e Faqih</b>	Avoid crisis, Prolongs the theocracy, Increased legitimacy and support for the Leader	Loss of absolute power, Doctrine of Velayat-e Faqih , Fear of retribution	Moderate
<b>President Khatami</b>	Head of pro-reform movement, Implemented reform policies, Rule of law and tolerance	Supports working within the system, Fear of secular takeover	Moderate to High
<b>Majlis</b>	Avoid total loss of political power	Retain maximum power, Doctrine of Velayat-e Faqih , Fear of retribution	Low
<b>Political Parties</b>	Pro-reform factions increasing in strength, High political awareness	Conservative factions are well organized, Tied to elite	Moderate
<b>Masses</b>	Participation in elections, Increased political expectations, Local and municipal councils	No official parties, fear of violence, Lack of access to information	Moderate to High

\* High = Support for democratic principles and liberalization is readily apparent.

Moderate = Limited support for democratic principles and liberalization is apparent.

Low = Support for democratic principles and liberalization is not apparent.



### **1. Political Culture**

The duality of Iran's political culture makes it difficult to assess its influence on the reform process. However, recent events tend to indicate the antiauthoritarian aspect of Iran's political culture is dominant and continuing to increase. Many of the conservative's actions have placed them at odds with the will of the masses. As such there is a significant perception that they are unjust and illegitimate.

### **2. Velayat-e Faqih**

Ayatollah Khamenei has, at the very least, given tacit approval to many of President Khatami's reform measures. Consequently, he has strengthened his credibility and popularity with those segments of the population that support reform but do not want to abandon the Islamic form of government. However, he has not hesitated to take action against those who, in his view, threaten the security of the state. The primary impediment to transition for Khamenei is his belief in Ayatollah's doctrine of Velayat-e Faqih. Additionally, he will lose some of his power with any significant liberalization.

### **3. President Khatami**

President Khatami has been at the forefront of the reform movement since the beginning. The fact that he has managed to remain in office for two years demonstrates his survivability and his political dexterity. Moreover, he has maintained a steady and even course throughout the past year, including the July riots. That appears to have earned him increased support from the Ayatollah Khamenei. Thus, President Khatami provides great support to the transition process.

#### **4.     Majlis and Council of Guardians**

The conservative clerics are vehemently opposed to any changes in the status quo because they would suffer the greatest loss of power. Moreover, a loss of power would also mean a loss of revenue, as many of the proposed reforms are aimed at reducing corruption. Accordingly, they are zealous defenders of the status quo and the concept of Velayat-e Faqih. However, that strategy risks most or all of their power, should significant reform or liberalization occur.

#### **5.     Political Factions**

Increased support for the reform movement has increased the size and power of the pro-reform political factions. The factions are politically aware and sophisticated. Their organizational structure should allow them to provide significant help to pro-reform candidates in the upcoming elections for the Majlis. Support for conservative factions has decreased. Consequently, they have taken actions that tend to undermine their legitimacy when discovered by the electorate. It seems likely the pro-reform factions will have greater success in promoting democracy, than the conservatives will promoting the status quo. As such the prospects for increased liberalization is improved.

#### **6.     The Masses**

The Iranian electorate expressed its support for reform in the 1997 election of Khatami and in subsequent elections. The election of Khatami and the success of his initial reforms have increased the Iranian people's political expectations. Furthermore, the Velayat-e Faqih and the ruling clerics have ceded to some of their demands for greater accountability. Although the electorate does not have the option of membership in official political parties, this has not discouraged them from participation in local or

national elections. While it is clear that the public supports reform, it is difficult to gauge the depth of their commitment to the reform process or their threshold for participation in mass demonstrations.

## **I. CONCLUSION**

Overall, Iranian political society has demonstrated significant support for liberalization since the election of Khatami in May 1997. Although the Velayat-e Faqih and the ruling clerics are in control much of the regime, reformers have forced them to loosen their grip on power. Thus far, increased openness in the media is probably the most significant democratic reform in the Islamic Republic, and voters are much better informed than they were just two years ago. Additionally, the pro-reform movement continues to challenge the legitimacy of the ruling clerics. Ironically, the pro-reform tactics tend to resemble the same tactics that Ayatollah Khomeini used to discredit the Shah.

Voter participation in the February 2000 Majlis election is expected to be high. This should help those reform candidates who survive the vetting process. True to form, the ruling clerics are desperately attempting to modify the election laws in the hope of maintaining their majority in the Majlis. Violence prior to the election is almost a foregone conclusion, although clashes will probably be limited to fringe student groups and conservative groups like Ansar-e Hezbollah. If the ruling clerics in the Majlis suffer serious losses on Election Day, the probability of violence becomes even greater.

It is not likely that the February election will bring any immediate changes to Iran's political society, however, the election will probably be a significant milestone on the road to Iranian democracy.

### III. IRANIAN ECONOMIC SOCIETY

#### A. INTRODUCTION

Linz and Stepan define economic society as the arena "which mediates between state and market."<sup>59</sup> Aside from a country's economy, there are a number of actors and institutions that interact in prescribed ways in that arena. According to Linz and Stepan, the way these elements interact is, a defining characteristic of an economic society. They submit that "modern consolidated democracies require a set of socio-politically crafted and accepted norms, institutions, and regulations."<sup>60</sup>

In recent years, there have been a number of changes in the Iranian economy. The motivation for these changes is a matter of demographics. In the next fifteen years, Iran needs to create approximately one million new jobs per year, if it is going to accommodate the children of the revolution that are coming of age.<sup>61</sup> How have these changes effected Iran's economic society? How will these changes effect Iran's political and civil societies? Will these changes eventually help move Iran towards democracy or will the Islamic clerics maintain control over the political society? This chapter will examine the recent economic reforms in Iran and determine if these changes have helped to move Iran closer to a market economy.

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<sup>59</sup> Linz and Stepan, 11.

<sup>60</sup> Ibid.

<sup>61</sup> "Khatami Presents Economic Recovery Plan," Tehran: IRIB Television (02 August 1998), FBIS Daily Report--Near East/South Asia, 08 November 1999 (FTS19980806003061).

## B. MARKET AND DEMOCRACY

Numerous theories attempt to explain the market and its relationship to democratic reform. While each theory acknowledges that the process of democratic reform is related to the establishment of a market-based economy, there is disagreement over which of the two is the causal factor. Does a market-based economy beget democratic reforms, or do democratic reforms beget a market-based economy? As theorists are able to cite various types of transition, it is doubtful that a definitive answer exists. Furthermore, there is disagreement as to whether a market-based economy provides sufficient impetus for democratic transition. Nevertheless, most theorists would agree that market-based economies are a necessary condition for democracy.

Aside from creating wealth for individuals and groups in society, market-based economies generate ideological forces. These forces are charged with the ideals of freedom, responsibility, and self-determination. Ideals that are unique to democracy. These democratic ideals are most apparent to the individuals and groups in society that have prospered as a result of the market economy. Empowered by wealth and ideology, these individuals and groups have the means and inclination to demand greater freedom from the state. "In this broad sense, market-oriented reforms are fundamental to the emergence of more autonomous interest groups, political parties, and media and a much stronger legislative role in public policy."<sup>62</sup>

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<sup>62</sup> Joan M. Nelson, "Linkages Between Politics and Economics," *Journal of Democracy* (October 1994), 60.

In summary, market-based economies generate democratic forces that move beyond economic society. Those forces work in concert with the forces from civil society to change political society.<sup>63</sup>

### C. THE IRANIAN ECONOMY

Since the 1979 revolution, Iran's economy has been in a perpetual state of crisis. Iran's economic infrastructure was destabilized during the revolution because of two main factors. First, the normal ebb and flow of the Iranian marketplace was interrupted; economic activity throughout the country decreased as a result. Second, capital flowed out of Iran because the political turmoil and social unrest created uncertainty in the minds of individuals and organizations with financial interests in Iran. As a result of these two factors, Iran's economy began a downward spiral. Shrab Behdad provides a concise description of this dynamic and its consequence:

Revolutionary conditions jeopardize the security of capital and paralyse the state in its functions to protect property and to facilitate the production process. These problems interrupt the production process and result in an economic crisis. The more advanced the capitalist development of the economy, the more intense and extensive will be the post-revolutionary economic crisis. The crisis will be intensified by disruptions in the linkages with the world economy. The economic crisis will be contained when the new regime can establish a new economic order and the production process can be resumed undisturbed.<sup>64</sup>

Once Khomeini was in power, the economy was reorganized. However, competing political and economic ideologies yielded a disjointed economic

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<sup>63</sup> Linz and Stepan, 15.

<sup>64</sup> Sohrab Behdad, "The Post-Revolutionary Economic Crisis," in *Iran After the Revolution: Crisis of an Islamic State*, eds. Saeed Rahnema and Sorab Behdad (London: I.B. Tauris & Co. Ltd., 1995), 97.

reorganization plan that placed political concerns ahead of economic realities.<sup>65</sup>

Centralization and nationalization were two of the main features of the Islamic Republic's reorganization plan. Several external factors also contributed to Iran's economic woes. "The war with Iraq and the glut in the international oil market, from 1985 to 1989, and since 1993, aggravated the economic crisis."<sup>66</sup> These factors created additional drag on Iran's economy and the downward spiral became an economic crisis.

While Ayatollah Khomeini was in power, he had little interest in economic matters, preferring instead to focus on the spiritual. His lack of interest in economic matters proved to be a powerful disincentive to reform. President Rafsanjani attempted to change the system after Khomeini's death, however, his proposals faced significant resistance, few changes were made, and the economy continued to flounder.

The Islamic Republic has not been able to provide its model for the post-revolutionary reconstruction of the economy, nor has it been successful in providing the necessary social and legal institutions required to an undisturbed production process to go on. . . .The crisis continues as the Islamic Republic remains incapable of deciding a path of economic recovery for Iran.<sup>67</sup>

The one bright spot in the Iranian economy is its oil revenues. Iran survived its economic crisis because it owns approximately 9 percent of the world's proven oil reserves.<sup>68</sup> Revenue from the sale of Iranian oil is the government's primary source of hard currency, hence, the health of Iran's economy is directly linked to the price of oil.

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<sup>65</sup> Mackey, 341.

<sup>66</sup> Behdad, 99.

<sup>67</sup> Mackey, 341.

<sup>68</sup> "Iran: General Background," United States Energy Information Administration, (April 1999) Available [Online] < <http://www.eia.doe.gov/emeu/cabs/iran.html> > [8 November 1999].

Furthermore, the government could not meet the basic needs of the nation without the hard currency that comes from the sale of Iranian oil. However, Iran's dependency on, and its use of, oil revenue creates its own distinct set of problems. Because Iran's non-petroleum export economy does not produce significant amounts of hard currency, Iran is forced to spend the hard currency it receives from oil sales to keep the nation afloat. Iran's economy suffers as a result because the hard currency is not available for investment within the Iranian economy. Such investments would help stimulate capital intensive sectors, such as manufacturing, create jobs, and provide an output that could be exported for hard currency. The economic course of action, spending versus investing, is the equivalent of living "hand to mouth" which perpetuates the government's dependency on oil revenues.<sup>69</sup>

#### **D. IRANIAN ECONOMIC REFORMS**

After one year in office, President Khatami unveiled his *Economic Recovery Plan* (ERP), to the Iranian people. In a nationally televised speech, Khatami spoke frankly about the state of Iran's economy, "I have said in another place that our economy is diseased, and that it is a chronic disease. It has existed for some decades in this country. Naturally, such a disease cannot be cured easily. Unless we carry out a proper spring cleaning and a fundamental change and uproot the disease."<sup>70</sup> Although eager for change, Khatami acknowledged that his changes would take time because they were "fundamental changes in the economic structure of society," and he urged Iranians to be patient and tolerant during the process.

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<sup>69</sup> Behdad, 109.

<sup>70</sup> "Khatami Presents."



The Economic Recovery Plan is composed of three sections. The first section consists of a prioritized list of Iran's most serious economic problems. The second section identifies fourteen policy objectives designed to deal with the problems. The third section proposes courses of action to achieve these objectives.

Prioritized in the Economic Recovery Plan, Iran's most pressing economic problems are: unemployment, lack of investment capital, monopolies, excessive rules and regulations, dependency on oil revenues, inflation, and foreign exchange balance of payment.

The fourteen policies identified in the plan to address the problems are: providing jobs, allocating funds for investment, eliminating monopolies, promoting competitiveness in economic activities, reforming the tax system, reforming monetary policies and interest rates, expanding non-petroleum exports, privatization, concentrating the government's fundamental activities in the realm of exercise of sovereignty, reducing the sphere of government control, determining and controlling the price of goods and services, promoting customer protection, distributing licenses and government aid, and establishing the foreign exchange rate and its policy.<sup>71</sup>

In September 1999, President Khatami introduced the government's *Third Development Plan* (TDP)<sup>72</sup> to the Iranian people in a nationally televised interview. During that interview he gave the nation an annual progress report on the Economic Recovery Plan. That report, along with additional information from other sources, will be used to measure the progress of Iran's economic reforms.

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<sup>71</sup> Ibid.

<sup>72</sup> Iran's five year economic development plan.

Prior to discussing the specific accomplishments of the Economic Recovery Plan, Khatami spoke at length about the relationship that exists between political, cultural, and economic development. He submits that the areas are interdependent.

Is it possible for us to attain economic growth and economic development without having a society that participates in the economic and political process? I mean is it possible not to involve in economic development all the political forces which exist in the country? Hence, participation will materialize only when we have political development. I mean the people's eagerness and enthusiasm to participate in the affairs of the country makes them see themselves as being rightfully entitled to participate in political and economic affairs. Thus these things are inseparable from each other. The idea that there can be economic development without scientific, technical, cultural and political development is nothing more than a mirage.<sup>73</sup>

#### **1. Fiscal Policy**

Iran's fiscal policy places increased emphasis on financial discipline. This is achieved by strict adherence to the limitations of a balanced budget, while implementing reform policies that will reduce the role of government in the economy. President Khatami proposed making these changes in the Economic Reform Plan of 1998. The Islamic Republic's budget for fiscal year (FY) 1999 (beginning 21 March 1999) reflects the government's desire to work towards the implementation of the proposed changes. Similarly, the government's "Third Development Plan" that was released in September 1999, embraced many of the recommendations made in the Economic Reform Plan. One of the primary goals is to reduce Iran's fiscal dependency on oil revenues. President Khatami recently stated,

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<sup>73</sup> "First Part of Khatami TV Interview," Tehran: IRIB Television (2 September 1999), FBIS Daily Report--Near East/South Asia, 9 November 1999 (FTS19990903001680).

Unfortunately, in the course of the last thirty or forty years, all the economy's defects, shortcomings and sickness have been covered up with the country's oil revenues. I mean, instead of improving our industries and making them more competitive in the world markets which would have enabled us to reduce consumption, we have just relied on oil revenues.<sup>74</sup>

Additionally, the government is attempting to reduce its expenditures by decreasing the size of government, reducing the government's role in the economy, and implementing conservation measures.<sup>75</sup>

a) *Budget Austerity*

The budget for fiscal year 1999 demonstrates Iran's commitment to meaningful economic reforms. Unlike previous budgets, the 1999 budget is balanced. President Khatami noted the importance of this aspect of the budget.

A balanced budget, one without borrowing from the Central Bank, has been prepared, in spite of the considerable reduction in oil revenues. In fact, it is a great achievement, one that has been accomplished with great difficulty, and part of which depends on imposing severe restrictions on current and development expenditures. If the necessary sensitivity had not been exercised in the matter, there would have been the danger of a chain reaction between budget deficit and inflation causing them to spiral.<sup>76</sup>

The government achieved a balanced budget by reducing expenditures and increasing revenues. Significant expenditure reduction came from government downsizing. For example, the Iranian government closed eleven embassies, reduced the number of new employees, limited the number of overtime hours that government employees were permitted to work, and prevented the creation of new governmental organizations. Increases in revenue mainly came from changes to the tax system.

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<sup>74</sup> Ibid.

<sup>75</sup> "Khatami Budget Speech," Tehran: IRIB Television (29 November 1998), FBIS Daily Report--Near East/South Asia, 9 November 1999 (FTS19981204001232).

<sup>76</sup> Ibid.

Revenue from the sale of oil came to only 22.8 percent of the total revenue estimates. However, that estimate assumes an oil price of 11 dollars per barrel. For eight of the first nine months in FY 1999, oil prices were above 15 dollars per barrel and for three of those months the price was above 20 dollars per barrel.<sup>77</sup> Consequently, oil revenues may be significantly higher than originally projected.

Although there are a number of areas in the 1999 budget that are questionable, in terms of efficient allocation of resources, it is a conservative budget that supports President Khatami's goals of economic reform. Khatami described that aspect of the budget in the following remarks:

"The country's general budget has laid greater emphasis on financial discipline, has tried to save more from the current level of the budget allocation to each department, and has tried to limit the level of the government's commitments."<sup>78</sup>

*b) Taxation*

Taxes and tax reform are two areas that Iran is relying on to improve the country's fiscal health. Khatami recognizes that the current tax system contributes very little to the country's overall well being. Additionally, he recognizes that an efficient tax system can be a powerful tool. Aside from enabling the government to raise revenue, an efficient tax system can also be used to provide incentives to various segments of society. Undoubtedly, Khatami would like the prerogative of using the tax system to steer investment dollars towards Iran's manufacturing and industrial economic sectors.

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<sup>77</sup> "Iranian Oil Prices 1999" United States Energy Information Administration, (April 1999) Available [Online] < <http://www.eia.doe.gov/emeu/cabs/iran.html> > [08 November 1999].

<sup>78</sup> "Khatami Budget Speech."

Another aspect of the tax issue is the tax-free status of the revolutionary foundations, known as *Bonyads*. The largest of these is the Foundation for the Deprived and the War Disabled (Bonyad-e Mostazafan va Janbazan). It has financial holdings that include, "45 percent of the carbonated drinks market, 33 percent of the textile market, 46 percent of the pipelines and metal sector and grows 21 percent of Iran's pistachio nuts."<sup>79</sup> The bonyads are exempt from taxes because they are charitable organizations and because they report directly to the Velayat-e Faqih. Recently, there has been public debate in the Iranian press over the need to reform these organizations.<sup>80</sup>

*c) Monetary Policy*

Iran is attempting to maintain a tight monetary policy in order to achieve the policy objectives established in the Economic Recovery Plan. This includes the timely servicing of all debts, maintaining a balanced budget, and increasing revenues by restructuring the tax system. These measures are intended to reduce inflation and improve the overall health of the Iranian economy.<sup>81</sup> Iran's efforts have not gone unnoticed by the International Monetary Fund (IMF). In April 1999, the IMF recognized Iran's accomplishments and presented a short-term outlook that was cautiously optimistic. The IMF projected that Iran's real gross domestic product (GDP) would grow by 2 percent in the year 2000. Furthermore, the report predicted that inflation in Iran would drop to 15 percent in 1999 and to 10 percent in 2000.<sup>82</sup>

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<sup>79</sup> Paul Taylor, "Economic Reform is Iran's Biggest Challenge," Reuters World Report (February 15 1999) Available [Online] < <http://www.gsnnonweb.com/> > [1 November 1999] and "Iran Paper Calls For Bonyad Economic Transparency," Tehran: Iran Daily (14 August 1999), FBIS Daily Report--Near East/South Asia, 22 November 1999 (FTS19970915000356).

<sup>80</sup> Ibid.

<sup>81</sup> "Khatami Presents."

<sup>82</sup> "IMF Forecast Iran Economic Growth In 2000," Tehran: IRNA (21 April 1999), FBIS Daily Report--Near East/South Asia, 15 November 1999 (FTS19990421001971).

*d) Price Control*

Although the government is attempting to implement a number of laissez faire economic policies, it has been unwilling to eliminate certain price controls and subsidies on items that are deemed essential. These items are predominantly basic foodstuffs such as bread, sugar, and cooking oil. While the government recognizes the deleterious effect these measures have on the economy, they are unwilling to forego them in the foreseeable future because of their social value. Price controls and subsidies are included in Iran's Third Development Plan; it is estimated the overall cost of this program will more than double over the next five years.<sup>83</sup>

*e) Banking Reform*

Recently, Iran announced that it intends to reform the nation's financial industry by allowing partial privatization of the banking system. Additionally, these reforms would expand the role of private non-banking financial institutions. Iran seeks to encourage savings and expand the Iranian economy with these reforms. Bahram Zarinqalam, Central Bank Director on Economic Affairs, stressed this aspect of the reforms in a recent interview, "I think we have to have more logical competitive interest rates. Interest rates have a fundamental role in appropriating funds to economic projects. Our projects now may yield results, but they are not necessarily economically justifiable."<sup>84</sup>

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<sup>83</sup> "First Part of Khatami TV Interview," and "Khatami Budget Speech."

<sup>84</sup> Mehrdad Balali, "Iran aims to partially privatise banks," Reuters World Report (November 5 1999) Available [Online] < <http://www.gsnnonweb.com/> > [9 November 1999].

## 2. Privatization

### a) *Land*

Iran is moving towards increased privatization of agricultural lands which offers solutions to many of the country's economic problems. For example, increased activity in the agricultural sector has the potential to help ease Iran's growing unemployment problem. President Khatami recently stressed the importance of reforming this segment of the economy. "Agriculture not only generates employment, it provides our basic needs. I should also add that, in view of the fact that we have to create 700,000, 760,000 [sic] jobs per year, we have to turn towards the revival of agriculture, the development of agriculture and its affiliated industries."<sup>85</sup> Additional benefits include reduced expenditures to state-owned farms and greater self-sufficiency.

### b) *Industry*

Privatization of the industrial sector is one of the government's top reform priorities. Prior to fiscal year 1999, the government controlled approximately 80 percent of the industrial sector, a figure that Khatami referred to as "too high." The Majlis agreed on the need to privatize and included reform legislation in the 1999 budget law. In July 1999, the head of Iran's Plan and Budget Organization, Mohammad-Ali Najafi announced that 250 state companies would be sold to the private sector.<sup>86</sup> While it is too soon to determine the effect of these sales on the Iranian economy, the fact that this type of privatization is occurring supports the argument that transition is occurring in Iran.

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<sup>85</sup> "Second Part of Khatami TV Interview," Tehran: IRIB Television (3 September 1999), FBIS Daily Report--Near East/South Asia, 9 November 1999 (FTS19990904000630).

<sup>86</sup> "Iran To Cede 250 Companies To Private Sector," Tehran: Tehran Times (1 July 1999), FBIS Daily Report--Near East/South Asia, 9 November 1999 (FTS19990712001037).

## **E. FOREIGN INVESTMENT**

Iran first liberalized its laws on foreign investment in 1993, however, politicians, mindful of Ayatollah Khomeini's exhortations about foreign influences, were cautious in their support. In just two years Iranian support for foreign investment has moved from being cautious to enthusiastic. The liberalization of Iran's foreign investment policy is truly remarkable, especially considering the magnitude of Iran's xenophobic prejudices.

President Khatami's support for foreign investment is a prime example of Iran's metamorphosis. In March 1997, while campaigning for the presidency, Khatami said the following about foreign investment:

I do not at all believe in foreign investment for creating jobs, because we primarily rely on domestic resources for our development, not on foreign aid. Also, we believe our domestic resources are capable of providing the necessary capital and employment. What we need is sound planning in that sensitive area. We must inject our 110 trillion rial liquidity into the production sector to boost our economy. This must be an essential target for us.<sup>87</sup>

Once in office, President Khatami completely changed his position on foreign investment. The Economic Reform Plan and his 1999 budget proposal both called for increased foreign investment in order to meet budgetary shortfalls. Economic realities overshadowed Iran's long-standing distrust of foreign powers. The following editorial summarized the reformer's argument for the Iranian public.

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<sup>87</sup> "Khatami Gives Exclusive Interview To Paper," Tehran: News (18 March 1997), FBIS Daily Report--Near East/South Asia, 11 November 1999 (FTS19970321002106).



Presently, due to insufficient capital in underdeveloped countries, competition among countries (even those nations whose ideological systems are at loggerheads with the capitalist economies such as Cuba and China) to attract foreign investment is intense. In 1996, approximately \$285 billion were invested in these nations; China, Mexico, Indonesia, Malaysia and Brazil accounted for over 50 percent of the total investment absorbed. Iran, with its vast natural resources, inexpensive energy, trained manpower, and potential domestic and regional market, has prepared a suitable ground for foreign investments. By speeding up the policy of détente and foreign policy reforms, the country can annually attract at least \$5 billion in foreign investment. And this is equivalent to 35 trillion rials, which comprises 50 percent of the country's total capital formation in 1997 and more than the income generated from oil and gas exports during the same year. In summation, eliminating the hurdles in the path of foreign investment will speed the engine of economic growth and create new job opportunities.<sup>88</sup>

During the first quarter of 1999, the Majlis debated the merits of reform and passed legislation to liberalize Iran's policies.

The change of policy had the desired effect; foreign investment increased substantially throughout 1998 and 1999. During that period, eight projects worth an estimated 1.2 billion dollars were approved. By comparison, foreign investment projects between 1993 and 1998 amounted to only 395 million dollars.<sup>89</sup>

## **F. CREDIT**

Iran is in good standing with the International Monetary Fund (IMF) and its creditors. As of October 1999, Iran owed approximately 22 billion dollars (down from 28 billion in 1997) to the following creditor countries: Germany, Japan, Austria, France,

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<sup>88</sup> Ahmad Reza Roshan, "Foreign investment for economic growth," Tehran: Iran Daily (20 February 1999), FBIS Daily Report--Near East/South Asia, 9 November 1999 (FTS19990220000587).

<sup>89</sup> "Foreign Investment Growth," Tehran: Khordad (25 August 1999), FBIS Daily Report--Near East/South Asia, 11 November 1999 (FTS19990923001318).

and Switzerland.<sup>90</sup> Additionally, Iran reduced the amount of foreign debt arrears to 200 million dollars from 11 billion dollars in 1994. However, two years of reduced oil revenues (January 1997 to March 1999) made the task of managing the debt more difficult for Khatami's administration. Nevertheless, the IMF recognized Iran's accomplishments and provided assistance in the servicing of Iran's short-term debts.<sup>91</sup>

Iran hopes to increase its reserve of hard currency by issuing government bonds. Currently, the matter is before the Majlis for consideration; Iran hopes to begin issuing the bonds in the year 2000.<sup>92</sup>

#### **G. CAPACITY FOR CHANGE**

The economy of the Islamic Republic of Iran is rapidly moving away from its statist origin and towards a destination that is governed by market forces. For Iran, the question is not if or when economic liberalization will occur but rather: "Will the market forces that have been unleashed in Iran, be able to establish roots in the barren soil of Iran's Islamic economic model?"

A review of the elements in Iran's economic society that support or impede the establishment of a free market should provide an answer. The results of that review are summarized in Table 3.1.

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<sup>90</sup> International Monetary Fund, *Staff Country Report: Recent Economic Developments: Islamic Republic of Iran*, (January 15 1999) Available [Online] < <http://www.imf.org/> > [11 November 1999].

<sup>91</sup> Hasanayn Ahmad, "UK Paper Reports on Iranian Economy," London: Al-Zaman (28 September 1999), FBIS Daily Report--Near East/South Asia, 11 November 1999 (FTS19990930000664).

<sup>92</sup> "Bank Officials Put Foreign Debt at 22 Billion," Tehran: IRIB Television (20 October 1999), FBIS Daily Report--Near East/South Asia, 11 November 1999 (FTS19991020001015).

**Table 3.1 Potential for Democratic Transition in Iran: Economic Society.**

<b>Economic Factor</b>	<b>Support for Market Reform</b>	<b>Impediments to Market Reform</b>	<b>Potential for Market Transition*</b>
<b>Fiscal Reform</b>	Budget austerity, Tax reform, Monetary reform, Banking reform	Price controls and subsidies, Lack of investment capital for investment in industry	Moderate to High
<b>Privatization</b>	Sale of state-owned companies, Banking, Agriculture	Vast number of state-owned companies	High
<b>Foreign Investment</b>	Recent changes have yielded dramatic increases	Cultural reluctance to trust foreigners	High
<b>Credit Market</b>	Well managed foreign debt, Available credit, Sale of government bonds	Short-term debt servicing	High

\* High = Support for liberal economic principles and market reforms is readily apparent.

Moderate = Limited support for liberal economic principles and market reforms is apparent.

Low = Support for liberal economic principles and market reforms is not apparent.

### **1. Fiscal Reforms**

Iran has chosen the path of fiscal reform and economic liberalization. Fiscal reform is essential because it stabilizes Iran's economic foundation, thereby enabling future economic growth. Iran's Economic Recovery Plan, Third Development Plan, and the current budget work in harmony to ensure the success of those reforms. The balanced budget, conservative monetary policies, restructured banking industry, improved tax system, and limited price controls make up Iran's fiscal reform package.

### **2. Privatization**

Iran is committed to the goal of privatization. The speed with which the program was approved and implemented is proof of that commitment. The Majlis authorized the sale of numerous state-owned companies less than three months after President Khatami submitted his plan for privatization. Additionally, the plan was implemented without delay, once it was approved; state-owned companies were sold and the sale of additional companies is ongoing. Moreover, the recent changes in Iran's banking industry provides evidentiary proof that privatization is gaining momentum and expanding Iran's economy.

### **3. Foreign Investment**

Although liberalization of Iran's foreign investment policies was painful from a cultural perspective, it was nevertheless a necessity from an economic perspective. Foreign investment is the second half of the privatization equation, as Iran needs to receive hard currency from the sale of their state-owned companies. Additionally, Iran requires foreign investment capital to build its industrial infrastructure, a sector of the economy that is considered vital to Iran's long-term economic health.

### **4. Credit Market**

Iran's foreign debt of 22 billion dollars is not considered to be a hindrance to economic growth or further economic liberalization. Conversely, Iran's adroit management of its foreign debt has boosted creditor confidence and kept Iran in good standing with the International Monetary Fund. Furthermore, increased oil revenue and the issuance of government bonds should help Iran service its short-term debts.

## **H. CONCLUSION**

While it is known that market economies are vital to the process of democratic transition; the mere existence of a market economy does not guarantee that a democratic transition will occur. Economic liberalization has moved Iran closer to becoming a market economy. Consequently, Iranian society has greater contact with the forces that are present in a market economy. Those forces tend to instill ideas and values—such as freedom, responsibility, and self-determination, which are closely associated with democracy and democratic principles. Therefore, the economic changes that Iran has recently undergone should promote further development of democratic ideals in Iran's civil society.

The course of action chosen by the government of the Islamic Republic of Iran is one that has led to the downfall of authoritarian regimes in other countries. However, given Iran's current economic requirements and the need to create approximately one million new jobs each year for the next fifteen years, in order to accommodate the children of the revolution that are coming of age, it was the only rational choice the government could make. Privatization of Iran's industrial and banking sectors, as well as increased foreign investment are the critical elements in the transformation to a market economy. Currently, statism presents the greatest obstacle to the establishment of a market economy in Iran.

Currently Iran is undergoing a number political, social, cultural, and economic changes, hence it is unclear what will occur in the near-term. However, it is clear that economic liberalization is gaining momentum and expanding, and that market forces associated with that expansion have had a liberalizing influence on political and civil society in Iran. Consequently, the possibility of democratic transition in Iran has been significantly improved.

## IV. CIVIL SOCIETY

### A. INTRODUCTION

Linz and Stepan define civil society as that arena "where self-organizing groups, movements, and individuals, relatively autonomously from the state, attempt to articulate values, create associations and solidarities, and advance their interests."<sup>93</sup> The size and structure of the various groups in civil society vary according to their character and commonalties. Some groups may be small and highly structured, other groups may be larger and more informal organizations, and still others may simply be different segments of civil society that share certain common features. The significance of an individual group is not normally related to its structure, instead it is a function of the amount of influence that group is capable of exerting on the political elite. Recently, several groups in Iran have demonstrated they are capable of wielding considerable influence. They have forced Iran's political elite to relinquish some control, thus further empowering Iran's civil society. What changes have occurred? Do these changes have greater implications for democratic transition in Iran? The purpose of this chapter is to explore the changes that have occurred in Iranian civil society since the election of President Khatami in order to determine the impact on democratic transition in Iran.

### B. CIVIL SOCIETY AND DEMOCRACY

The relationship that exists between civil society and democracy is recognized as critical to the process of democratic transition by numerous authors.<sup>94</sup> Civil society is the

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<sup>93</sup> Linz and Stepan, 7.

<sup>94</sup> Linz and Stepan; Guillermo O'Donnell and Phillippe C. Schmitter, "Restructuring Civil Society," in *Transition From Authoritarian Rule: Prospects for Democracy*, eds. Guillermo O'Donnell, Phillippe C. Schmitter, and Laurence Whitehead (Baltimore: The Johns Hopkins University Press, 1986);

force that compels the political elite of an authoritarian regime to relinquish some of its power. That dynamic is known as liberalization. It is the beginning of the transition process.

For transition to truly gain momentum it is necessary for many of the "diverse layers of society to come together to form" what O'Donnell and Schmitter refer to as the "popular upsurge."

Trade unions, grass-roots movements, religious groups, intellectuals, artists, clergymen, defenders of human rights and professional organizations all support each other's efforts towards democratization and coalescence into a greater whole which identifies itself as "the people" . . . This emerging front exerts strong pressures to expand the limits of mere liberalization and partial democratization.<sup>95</sup>

There are no set time limits for the popular upsurge. It may build over an extended period of time or it may be a rapid event that takes everyone by surprise, including members of civil society that are pressing for change. How the upsurge begins is not nearly as important as the fact that it does occur. Furthermore, the fact that an upsurge occurs does not guarantee transition. Nevertheless, the "popular upsurge" does provide an indication that the necessary conditions for transition may exist. As such, it may be used as a predictive tool.<sup>96</sup>

While the popular upsurge is an important element of transition, O'Donnell and Schmitter recognize the supremacy of another. "In the process of structuring the options

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and Ernest Gellner, *Conditions of Liberty: Civil Society and its Rivals* (New York: The Penguin Press, 1994).

<sup>95</sup> O'Donnell and Schmitter, "Restructuring," 53-55.

<sup>96</sup> Ibid.

of the transitions and taming the popular sector, one event plays a more important and immediate role than all others: the convocation of elections.”<sup>97</sup>

### C. CIVIL SOCIETY IN IRAN

Iranian civil society is fairly mature and sophisticated. Many of the groups within Iran’s civil society date back to the beginning of the twentieth century. However, it must be remembered that certain elements of civil society have experienced some erosion during the last twenty years of Islamic rule. For the most part, the areas discussed here are not as mature as other less powerful groups Iran’s civil society. Nevertheless, there is a great deal of interconnectivity within Iranian civil society. That interconnectivity acts like reinforcing bars or “*rebar*” in a concrete structure. Hence, civil society as a whole and the individual elements are strengthened.

Recently, Iran’s civil society has exhibited signs of O’Donnell and Schmitter’s popular upsurge. Various elements of civil society are coming together to demand concessions from the political elite. Moreover, the most significant demands focus on the need for free elections. O’Donnell and Schmitter acknowledge the criticality of free elections to the process of transition.

If their intentions are believed and if it becomes credible that voters will be reasonably free to compete by putting forth alternative candidates and that incumbents will not be free to count votes or eliminate candidates as they see fit—then relations between contending factions and forces, inside and outside the regime, begin to change rapidly.<sup>98</sup>

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<sup>97</sup> Ibid., 56.

<sup>98</sup> Ibid., 57.

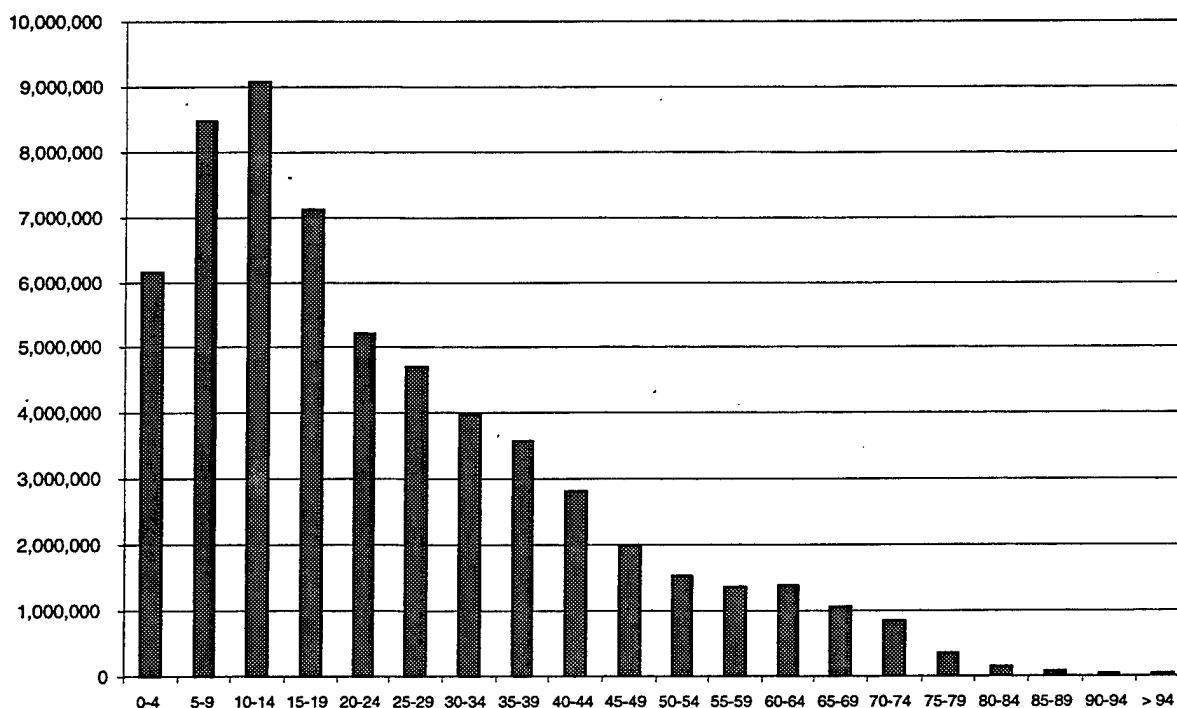


On 18 February 2000, Iranian voters will go to the polls to elect the sixth Majlis. It remains to be seen how free these elections will be. Nevertheless, Iran's civil society has identified free elections as one of its primary goals.

## 1. Demographics

Over the past twenty years Iran's population has nearly doubled. In 1976, the population was 36 million and by 1996 the population was just over 60 million.<sup>99</sup> According to Iran's 1996 census data, two-thirds (40.7 million) of the population was less than thirty years old and just over half of the population (30.8 million) was under the age of twenty. These figures are depicted in Table 4.1.

**Table 4.1 Iranian Population by Age Group: 1996**<sup>100</sup>



<sup>99</sup> Akbar Aghajanian, "Post-Revolutionary Demographic Trends in Iran," in *Post-Revolutionary Iran*, eds., Hooshang Amirahmadi and Manoucher Parvin (London: Westview Press, 1988), 158.

<sup>100</sup> United Nations, Economic and Social Commission for Asia and the Pacific (ESCAP), *Country Profile: Iran*, 1996 Available [Online] <<http://www.unescap.org/pop/popin/profiles/iran/popin/tables.htm>> [14 November 1999].

The reasons for the dramatic rise in Iran's population include: Khomeini's desire to export the revolution, Islamic values, the discontinuation of family planning, and the war with Iraq. While those reasons are noteworthy, the consequences of that population boom are of critical importance to the process of democratic transition and Iran's political, economic and civil societies. The main economic consequence, Iran's need to create millions of new jobs, was discussed in the previous chapter. The consequence for Iran's political and civil societies will be discussed in the following subsections of this chapter.

## **2. Youth**

The vast majority of Iran's population has little, if any, recollection of life in Iran under the Shah or the events surrounding the Islamic revolution. Their knowledge of those events is second-hand. Most young Iranians do not feel passionately about Islamic fundamentalism or carrying on the goals of the revolution. The existence of this generation gap has Iranian conservatives pondering alternatives. Scholar and senior member of the Solidarity Party, Qasem Khorrami recently addressed this issue.

In other words, we must admit that the elements and agents of political socialization within the regime of the Islamic Republic have not been successful in correctly conveying the values and beliefs of one generation to the youth and the young people. For this reason, the need to review and revise the costly and incompetent political propaganda organization is the most important message that must be understood after the recent crisis of the regime of the Islamic Republic.<sup>101</sup>

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<sup>101</sup> "Youth Political Socialization Process Seen," Tehran: *Tehran Iran* (18 August 1999), FBIS Daily Report--Near East/South Asia, 15 November 1999 (FTS19990915001737).

Perhaps more disconcerting to the conservatives is the fact that the youth of Iran are not satisfied being isolated from the rest of the world. A fact Sandra Mackey notes: "Most of all, there now lived in Iran a whole generation of voters born after the revolution against the monarchy. Like the Persians of old, they longed to reach outside the confines of their own culture to taste the words, ideas, and images of others."<sup>102</sup>

The desire to reach beyond Iran's austere Islamic society is even shared by young Iranians who are religious and conservative. New York Times columnist, Thomas L. Friedman provides anecdotal evidence of this aspect of life in Iran.

I spoke to an Iranian friend in London the other day who told me a story about his brother back in Tehran, who had recently visited one of the popular cyber-cafes in the Iranian capital. His brother described seeing a bearded, obviously religious young man trading stock online, who at one point stood up and shouted across the Internet cafe, "Hey, I just made \$1,000."<sup>103</sup>

It is doubtful that Ayatollah Khomeini would approve of the Internet; conservatives have restricted similar technology in the past.<sup>104</sup> Speaker of the Majlis, Nateq-Nouri recently warned Iranians, "It is evident that the war now imposed on us is one of cultural aggression . . . the enemy through satellite programming, internet, obscene pictures and movies, and articles has targeted our youth but we have to continue treading the path of

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<sup>102</sup> Mackey, 394.

<sup>103</sup> Thomas L. Friedman, "Ayatollah Deng Would Solve Iranian Government's Problems," Seattle: *Seattle Post-Intelligencer*, 21 July 1999.

<sup>104</sup> In the early 1990's the Fourth Majlis restricted the use of satellite antennae. Currently, the only individuals authorized to own satellite antennae are foreign nationals living in Iran. Nevertheless, countless Iranian citizens own satellite dishes.

the late Imam, Islam and the Islamic revolution.”<sup>105</sup> Still, Iran’s youth are drawn to technology, as it allows them access to the outside world and the forbidden West.

Iran’s young people are extremely knowledgeable about Western culture. That knowledge is what Iran’s conservatives fear most. Young Iranians are able see what they are missing, not just in terms of material goods, but more importantly, in terms of personal and political freedoms. These ideas are developed further in the following quotes:

But now the hysterical animosity to the West has subsided, at least that is what I see. Today hysteria has given way to curiosity. The bulk of the population, including the youth, certainly want a better life. For them civil society is the door to that life. Yes, we must differentiate between what the politically active elite wants and what the bulk of the population desires.<sup>106</sup>

The appearance of a new generation of Iranian young people, the rise of technological improvements, the increase in people’s awareness, and the increase in the number of educated people, have made everything that may obstruct the trend of socio-political development inactive. Today, like other days in Iran, has a special sensitivity, and we expect to see the time of democracy, law, stability, and hope.<sup>107</sup>

Unemployment and marriage are the primary concerns of young Iranians.

According to Tehran television, there are approximately 2.5 million unemployed people in Iran and most of those are young people. Additionally, the number of young people who have reach the age of marriage has increased significantly. Despite that, the number

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<sup>105</sup> “Nateq Nuri Freedom For Conspiracy Intolerable,” Tehran: *Islamic Republic News Agency (IRNA)* (23 June 1999), FBIS Daily Report--Near East/South Asia, 15 November 1999 (FTS19990624001242).

<sup>106</sup> “Rah-e Now on Political Renovation,” Tehran: *Tehran Iran* (24 August 1999), FBIS Daily Report--Near East/South Asia, 15 November 1999 (FTS19981003000813).

<sup>107</sup> Majid Ostvar, “Critical Days in History of our Homeland,” Tehran: *Salam* (22 June 1999), FBIS Daily Report--Near East/South Asia, 15 November 1999 (IAP19990826000021).

of marriages has fallen due primarily to the financial costs associated with marriage.<sup>108</sup> Thus far, Iran's youth has not risen up en masse and demanded political reform, but they did turn out in record numbers to vote for Khatami. They are expected to do the same in the upcoming parliamentary elections.

In short, young people in Iran are experiencing a number of frustrations. They are living in a closed society, yet they are aware of the outside world. They want to start their careers and families but unemployment stands in the way for many. The near-term economic outlook is rather bleak.

### **3. The Media**

The media is one of the main actors in Iran's civil society. Since the election of Khatami, it has done more than just report the news, often it was the news. Examination of the media's recent trials and tribulations reveals more than the ongoing struggle between Iran's liberal and conservative factions. It also demonstrates how conservatives use the constitution to deny rights that are supposedly guaranteed by the constitution.

Once in office, Khatami followed through on his campaign pledge to reform government by placing liberals in key cabinet posts. Two of the most controversial appointments were Ayatollah Mohajerani as Minister of Islamic Guidance and Abdollah Nuri as Minister of Interior. Both were liberal and favored reform. As such, conservatives feared their policies would open the liberal floodgates. Those fears were realized after the Majlis confirmed both men and things began to change. Sensing that

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<sup>108</sup> "Young people face educational employment marriage," Tehran: *Voice of the Islamic Republic of Iran First Program Network* (27 August 1999), FBIS Daily Report--Near East/South Asia, 15 November 1999 (IAP19990828000014).

change, the media began to explore the limits of their freedom. Iranian journalist, Dariush Sajjadi explained,

It's natural that when a new administration comes in, we test the waters. So far, we have seen that we can go deep into those waters without much persecution from the top. Television hasn't changed much, however. It is still conservative and state-owned. Radio is a little better than television but still not up to the freedom level of the printed word.<sup>109</sup>

Another Iranian journalist, Mehri Haqqani shared similar views, "The political atmosphere has opened up, so the country is in a transitional phase which accelerated after the election of President Khatami, and as a result the press has become braver."<sup>110</sup>

Because there is a lack of political parties, a vacuum exists in Iran's civil and political society,. In early 1998, prior to the mid-term parliamentary elections, the media began to fill that void. During that campaign, newspapers—many of which are sponsored by the various political factions—waged a war of words in support of their candidates. As a result, the media became increasingly politicized.<sup>111</sup>

By September, conservatives were beginning to lay the groundwork for their own version of media reform. They intended to use the two branches of government that they still controlled and the supremacy of Islam in the constitution to silence the opposition; Head of the Judiciary, Ayatollah Mohammad Yazdi, described the conservative's plan in a Friday prayer sermon:

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<sup>109</sup> Barry May, "Iranian press finds new freedom," *Reuters World Report* (22 April 1999) Available [Online] < <http://www.gsnnonweb.com/> > [15 November 1999].

<sup>110</sup> Ibid.

<sup>111</sup> "Iranian Paper on Lesson of Midterm Elections," Tehran: *Keyhan* (16 March 1998), FBIS Daily Report--Near East/South Asia, 15 November 1999 (FTS19980327001173).

As the official in charge of the country's judicial apparatus, I would like to clarify that there has not been even a slight deviation from the law in everything that has been done so far. Moreover, we have no intention of breaching the law in the future either. However, determining what is legal and what is illegal is not the job of the writers or journalists. After all, the country has an administrative justice council, which can be referred to if necessary. The job of discerning the lawful from the unlawful belongs only to legal and judicial experts as well as to the esteemed deputies of the Majles. We have done our reviews and have concluded that the law allows us to act on the basis of the Islamic penal code and take action against certain writers or Press publications which have committed offenses, especially when these offenses fall in the realm of attempts to disrupt the country's security. If this happens, certainly the country's security officials, and possibly the revolutionary courts, will also get involved. This process has in fact already started.<sup>112</sup>

One of the conservatives' primary targets was the pro-reform newspaper Salam.

In some respects the battle was fought on a personal level; earlier in the year Salam blasted Yazdi for his criticism of the press in his New Year's sermon. "The fact that the head of the judiciary, in his first sermon in the new year, chose to admonish and exhort the heads of publications and newspapers is not devoid of grace and elegance, particularly since 1376 [year ending 20 March 1998] was a year in which the press displayed its crucial role in some degree."<sup>113</sup>

In December 1998, the Majlis entered the fray when the Majlis Center for Research released its review of the Press Law. That review found the existing Press Law to be lacking, in part because it was too short "only 36 articles" and because it was too vague. Consequently, they recommended the following:

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<sup>112</sup> "Yazdi Upholds Limits on Press Freedom," Tehran: *Voice of the Islamic Republic of Iran First Program Network* (25 September 1998), FBIS Daily Report--Near East/South Asia, 15 November 1999 (FTS19980925001448).

<sup>113</sup> "The Press and the Judiciary," Tehran: *Salam* (30 March 1998), FBIS Daily Report--Near East/South Asia, 15 November 1999 (FTS19980407001069).

In short, especially noting the existing conditions in the country, review of the press law and the drafting of an all-encompassing and workable law is a necessity. In this process, there must be no haste. The plan must be devised in such a way as to safeguard the freedom of the press, to allow them to carry on with their activity, but there should also be a way to prevent dangers that may affect the rights of the press and citizens. The suggestion of the Majles Center for Research is that, instead of dealing in a mechanical way with the country's press, there should be a systematic and organic review. The press law should be completely and fundamentally corrected.<sup>114</sup>

On 7 July 1999, while the Majlis was debating the main points of the amendments to the Press Law, a special clerical court authorized the closure of the reform newspaper Salam. Late in the evening on 8 July, law enforcement forces (led by individuals in civilian clothes) entered dormitories at Tehran University and attacked students protesting the closure of Salam. One student was killed and numerous others were injured during the clash. This touched off six days of rioting, an event which Iran had not experienced since the Islamic Revolution.<sup>115</sup> As of November 1999, the amendments to the press law have not yet been voted on by the Majlis; it is not likely the matter will be resolved during this parliament. Instead, the newly elected Majlis will have that duty. This is seen as a victory for the reformers, as the conservatives failed in their attempt to muzzle the press prior to the election.<sup>116</sup>

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<sup>114</sup> "The Majles Center for Research: Review of Press Law, Together With Safeguarding Press Freedom, Is a Necessity," Tehran: *Resalat* (29 November 1998), FBIS Daily Report--Near East/South Asia, 15 November 1999 (FTS19981224000448).

<sup>115</sup> "A special report: Recent events, actions, analyses," Tehran: *Asr-e Ma* (4 March 1998), FBIS Daily Report--Near East/South Asia, 15 November 1999 (FTS19990907000492).

<sup>116</sup> "Press Law Amendment to Remain in Abeyance," Tehran: *Azad* (8 November 1999), FBIS Daily Report--Near East/South Asia, 16 November 1999 (FTS19991108001518).



#### 4. Student Organizations

Historically, Iran's universities have been hotbeds of political debate and student activism. Student organizations have kept up that tradition under the current regime. There are numerous pro-reform student organizations throughout Iran. Of the various pro-reform student groups, the one known as *Office for Fostering Unity* (OFU) has emerged as a leader. They played a major role in July 1999, during the Tehran University crisis and they have continued in a leadership role since then.<sup>117</sup>

The Office for Fostering Unity was established in 1979 during the Islamic Revolution; at that time their ideology was similar to that of Ayatollah Khomeini. Over time that ideology evolved into one that is pro-democracy and pro-reform.<sup>118</sup> Their role within the greater pro-reform student movement is that of a central hub for "more than 20 student societies and unions throughout Iran."<sup>119</sup> The organization's structure attests to its level of sophistication. Meysam Sa'idi, a senior member of the Office for Fostering Unity, explained one aspect of that structure in a November 1998 interview:

According to our articles of association, we have an internal organizational meeting once a month. In other words, the main members of the Islamic Societies of [University] Students from around the country and members of the central council of the Office for Fostering Unity sit together for a meeting once every month. The present meeting is an annual supplementary session during which students and their different committees will hold debate on a number of political and cultural issues.<sup>120</sup>

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<sup>117</sup> "Iranian Student Movement Leaders," London: *Al-Majallah* (31 July 1999), FBIS Daily Report--Near East/South Asia, 16 November 1999 (FTS19990801000120).

<sup>118</sup> "Shiite Scholar on Power Struggle in Iran," London: *Al-Wasat* (29 March 1998), FBIS Daily Report--Near East/South Asia, 16 November 1999 (FTS19990405000538).

<sup>119</sup> "Student Movement Leaders."

<sup>120</sup> "Velayat e Qazvin Interviews OFU Activist," Qazvin: *Velayat-e Qazvin* (24 November 1998), FBIS Daily Report--Near East/South Asia, 16 November 1999 (FTS19990116000578).

Because of safety concerns, like many other student organizations, the Office for Fostering Unity is cautious about divulging information about itself and its membership. As such it is not possible to determine the overall size of the student movement in Iran. However, OFU student leader Majid Farahani commented after the incidents in July,

One and a half million students finished their examinations a few days ago. This means that they now have an opportunity to study the achievements, losses, and positive and negative aspects of the recent confrontations. If the authorities reject the demands of students, then the latter will again raise slogans not only in Tehran University but also in 197 universities, institutes, and specialized colleges throughout Iran. These slogans may actually differ from the ones raised during the recent demonstrations.<sup>121</sup>

While the size of the student movement is open to speculation, what really matters is their power. It is clear that student groups in general, and the Office for Fostering Unity in particular, are able to garner the attention of the media, Iran's political leaders, and the Velayat-e Faqih. Hence they are significant forces within Iran's civil society.

The Office for Fostering Unity and its member organizations are actively involved at the grassroots level in the pro-reform/pro-democracy movement. They are President Khatami's foot soldiers for democracy. As such, they are campaigning for pro-reform candidates who are running for the Majlis in February 2000. In August 1999, the deputy Minister of the Interior for Political and Social Affairs, Mostafa Tajzadeh, spoke to a gathering of OFU campaign workers. Tajzadeh urged the students onward saying,

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<sup>121</sup> "Student Movement Leaders."

Our students must be ready to keep people informed in all circumstances, even if all papers are shut and we have no budget for publicity and state television were to be biased. . . . We have no problem in terms of public opinion for the sixth parliament because the results will not be much different from the councils elections. . . . We are not too worried about the vetting of hopefuls for the elections, because there are ways of protecting their rights. . . Islamic students' associations have always been and will remain the revolution's soldiers, but there are people trying to undermine this fact, and students must uproot such efforts.<sup>122</sup>

Tajzadeh also warned the gathering about the need to avoid violence and how to achieve that goal:

We must attain the aims of 2 Khordad<sup>123</sup> in an atmosphere of calm and non-violence. . . . We must learn a lesson from the disaster at the university campus, and we must even avoid saying what we believe to be right, if we think that our words will be exploited by others and will lead to violence.<sup>124</sup>

Since the clashes in July, the Office for Fostering Unity has stressed the importance of achieving their goals without violence; their actions indicate they are committed to that policy. On 4 November 1999, the OFU did not attend the state-sponsored demonstration to mark the twentieth anniversary of the American embassy siege. Instead, it chose a less confrontational approach and held a non-violence counter-demonstration at the Tehran University mosque. Abbas Abdi, the former leader of the Embassy takeover turned pro-reformist was the featured speaker at the OFU rally. His words reminded students of the need for moderation.

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<sup>122</sup> "Taheri Says Violence Not Part of Islam," Sari: *Bashir* (22 August 1999), FBIS Daily Report--Near East/South Asia, 15 November 1999 (FTS19991006000580).

<sup>123</sup> "2 Khordad" refers to the date of Khatami's election in May 1997. It is synonymous with the pro-reform/pro-democracy movement in the Iranian political vernacular.

<sup>124</sup> "Taheri."

When a student movement gains strength through the absence of civic institutions, it itself becomes a barrier to the creation of those institutions because it wants to act in such a way as to keep the power that it has attained, coming out of this cocoon is difficult. In Iran we have faced this dilemma.<sup>125</sup>

The leaders of the Office for Fostering Unity have advocated working within the system to achieve democratic reforms. In an August 1999 interview, OFU spokesman, Ali Afshari talked about the goals of the Office for Fostering Unity. When asked if they wanted a revolution, Afshari replied,

No, what we are asking for is not a revolution, it is the same thing the pro-reform sector is asking for. What is happening is that the conservatives, in order not to share decision-making power with the people, accuse us of anything, of being anti-revolutionaries, for example, to discredit us.<sup>126</sup>

Instead of revolution, the preferred tactic is to avoid confrontation with conservative forces and strive to get pro-reform candidates elected to the Majlis. Afshari's comment of "At this stage the only revolutionary approach is to work to maintain calm"<sup>127</sup> reflects the organizations political maturity.

Nevertheless, Iranian students have demonstrated their considerable disdain for the conservatives that are in power and a willingness to fight for their cause. The Office for Fostering Unity leader, Majid Farahani, provided an example of what motivates Iranian students to fight for the pro-reform movement.

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<sup>125</sup> Jonathan Lyons, "Iran students assess 20 years since embassy seizure," *Reuters World Report* (November 2 1999) Available [Online] < <http://www.gsnonweb.com/> > [3 November 1999].

<sup>126</sup> "Iranian Student Leader Ali Afshari Interviewed," Madrid: *El Pais* (27 July 1999), FBIS Daily Report--Near East/South Asia, 16 November 1999 (FTS19990727001292).

<sup>127</sup> "Belgian Weekly on Aftermath of Iranian Student Protest," Brussels *Le Vif/L'Express* (8 October 1999), FBIS Daily Report--Near East/South Asia, 16 November 1999 (FTS19991008001131).

Any Iranian student can see a future that is devoid of hope and light. In the meantime, he sees the sons of some religious men as well as the relatives of some hojjat-ol-Eslams and ayatollahs making deals and driving Mercedes cars. Most Iranian male youths are forbidden from talking to female colleagues inside the university, at a time when he hears daily and exciting stories involving the sons of some senior officials.<sup>128</sup>

It is doubtful the leaders of Office for Fostering Unity or other pro-reform student groups would encourage students to engage in any confrontational activities prior to the elections in mid-February 2000. However, extreme actions by conservative forces, (especially if they are perceived as attempts to manipulate the election), could trigger strong reactions from students. These reactions may be beyond the control of the leaders of Iran's student organizations.

## **5. Women**

In the Islamic Republic of Iran, women are prohibited from doing a number of things. There are legal restrictions on the way they dress, the way they walk, the way they talk, and especially, the way they interact with members of the opposite sex. Yet, in one critical area Iranian women are not subject to any restrictions, that area is political participation. Iranian women are allowed to vote and to hold public office. Hence, the amount of power that women can potentially exercise in Iran's civil society is significant, as they make up fifty percent of the population. However, prior to the election of Khatami, they had not exercised that influence or power.

The current restrictions on women are the result of changes that Ayatollah Khomeini made following the Iranian revolution. His justification for the restrictions was "that he was actually restoring women's dignity and rescuing them from the

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<sup>128</sup> "Student Movement Leaders."

degrading and dangerous ideas that been imposed on them by Western imperialists and their agents, among which he included the Shah.”<sup>129</sup> Khomeini rescinded laws such as the Family Protection Law, which gave women certain rights in marriage and helped them to work outside the home, and replaced them with the traditional Islamic law of the sharia. As a result, women were essentially forced out of the workplace and back into the home. For all practical purposes, women became the property of their father or their husband, as they could not marry or leave the country without the notarized consent of those male family members.<sup>130</sup>

After the death of Khomeini in 1989, the government loosened some of these restrictions. For example, in 1992 a law similar to the Family Protection Law was passed. As a result, women began to reenter the workplace and they received somewhat greater protection in marriage and divorce.<sup>131</sup>

Since the election of Khatami, women have enjoyed greater freedom in certain areas. They are active “in all spheres of work: training, education, health, and other fields.”<sup>132</sup> Nevertheless, they have also suffered setbacks. Azar Nafisi, of Johns Hopkins University School of Advanced International Studies describes two such setbacks in the following:

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<sup>129</sup> Azar Nafisi, “Overload of injustice,” St. Paul: *Star-Tribune* (11 February 1999) Available [Online] < <http://www.iranian.com/News/Feb99/overload.html> > [17 November 1999].

<sup>130</sup> Ibid.

<sup>131</sup> Janet Afary, “Steering between Scylla and Charybdis: Shifting gender roles in 20th century Iran,” *The Iranian* (December 1996) Available [Online] < <http://www.iranian.com/News/Feb99/overload.html> > [17 November 1999].

<sup>132</sup> “VP Ebtekar on Women’s Role,” London: *Al-Wasat* (16 March 1998), FBIS Daily Report--Near East/South Asia, 15 November 1999 (FTS19980318000712).

The parliament has passed two of the most reactionary laws on women in the republic's history. The first requires that all medical facilities be segregated by sex. The second effectively bans publication of women's pictures on the cover of magazines as well as any form of writing that 'creates conflict between the sexes and is opposed to the Islamic laws.'<sup>133</sup>

The latter of those laws also makes it illegal for anyone other than Shi'i jurists to discuss women's rights or issues. "The regime has consistently tried to limit women's freedom of movement and access to public institutions."<sup>134</sup>

Increasingly, Iranian women—especially young women—have come to view these restrictions as sexual discrimination and a violation of their basic human rights.<sup>135</sup>

Consequently, they have been motivated to exercise their political power in order to bring about change in Iran. The election of Khatami and each of the subsequent elections have demonstrated this to be so.<sup>136</sup> Thus far, the conservatives have not given any indication that they are willing to compromise on issues that are important to women.

Likewise, there are numerous indications that women will support pro-reform candidates in the upcoming parliamentary election.<sup>137</sup> The implications for democratic transition in Iran are significant.

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<sup>133</sup> Nafisi.

<sup>134</sup> "Iran's Parliament Authorizes Gender Segregation of Health Services & Censorship of Women's Issues," Bethesda: *Sisterhood Is Global Institute* (24 April 1998) Available [Online] <<http://www.iranian.com/News/April98/hr.html#sister>> [15 November 1999].

<sup>135</sup> Afary.

<sup>136</sup> Joyce M. Davis, "Gaining Power: Women Are Winning One Change at a Time," San Jose: *San Jose Mercury News* (25 October 1999) Available [Online] <<http://www.iranian.com/News/1999/October/power.html>> [16 November 1999].

<sup>137</sup> "French Daily Predicts End of Iran's Islamic Revolution," Paris: *Les Echos* (21 July 1999), FBIS Daily Report--Near East/South Asia, 17 November 1999 (FTS19990721001492).

#### D. CAPACITY FOR CHANGE

It is important to recall that liberalization has been identified as a means of achieving democratic transition. Is Iranian civil society capable of bringing about meaningful liberal change in the Islamic Republic or are the conservative clerics and the institutions of the Islamic regime capable of fending off the forces of liberalization? A review of the changes that have occurred in the critical components of Iran's civil society should provide an answer. These changes are summarized in Table 4.2.

**Table 4.2 Potential for Democratic Transition in Iran: Civil Society.**

<b>Civil Society Factor</b>	<b>Support for Liberalization</b>	<b>Impediments to Liberalization</b>	<b>Potential for Liberalization</b>
<b>Youth</b>	Unemployment, Marriage Knowledge of Western culture	Many are too young to vote	High
<b>Media</b>	Increased freedom, Legitimize the role of the media within society, end the violence,	Active conservative media	Moderate to High
<b>Students</b>	Traditionally leading edge of change, knowledgeable, successful thus far	Conservative student groups	Moderate to High
<b>Women</b>	End restrictions, increased freedom and opportunities	Traditional women	Moderate to High

\* High = Support for democratic principles and liberalization is readily apparent.

Moderate = Limited support for democratic principles and liberalization is apparent.

Low = Support for democratic principles and liberalization is not apparent.

##### **1. Youth**

These are the children of the post-revolution period and it is reasonable to expect that they will change Iran's civil society as they come of age. They have little or no recollection of the Islamic Revolution and they tend to be frustrated by the restrictions that the regime imposes on them. Technology has enabled them to see glimpses of the



world outside of Iran. As a result, they are inclined to question the legitimacy of a regime that is not able to meet the basic needs of their society, such as employment and economic stability.

## **2. The Media**

Since the election of President Khatami, the media has enjoyed much greater freedom. It has continually used that newfound freedom to question the legitimacy of the regime and to demand increased democratic participation for all. Clearly, the regime views an unfettered media as the greatest threat to its long-term survival. Hence, the regime has attempted to rein in the media in a variety of ways. However, those efforts to exert control over the media have legitimized the media and undermined the legitimacy of the regime. It is doubtful that the regime will be able to regain control over the media unless they are willing to resort to extreme measures. Consequently, the media will continue to be a force for change in the foreseeable future.

## **3. Student Organizations**

Iranian student organizations have been on the leading edge of the pro-reform movement in Iran's civil society. They are knowledgeable about the political structure of the Islamic Republic and Islam, as well as the West and democracy. This has led many of them to conclude that the current regime lacks legitimacy. While there are student organizations that are on either end of the political spectrum, their influence is not as great as that of the Office for Fostering Unity. The OFU has demonstrated that it is willing to work for change within the system and that it supports non-violent change.

Although it supports non-violence, OFU members have shown that they are willing to risk their personal safety for their cause. The Office for Fostering Unity is supported by a number of pro-reform elements in civil society.

#### **4. Women**

Women make up fifty percent of the Iranian population and they are able to vote. As such, they can be an element within Iran's civil society that has significant political power. Prior to the election of Khatami women had not exercised their political might. However, since then, Iranian women have consistently demonstrated that they are in favor of liberalizing changes. Their primary motivating factor is the number of restrictions, which they currently must endure under this regime. While young women are the subset that is most ideologically committed to change, older women also have shown strong support for the pro-reform movement.

#### **E. CONCLUSION**

Iran has a fully developed civil society that has considered the costs and advantages of transitioning to democracy, and they have decided that it is in their best interest to pursue that option. One of the critical factors in that equation is the fact that over half of Iran's population is under twenty years of age. As these children of the post-revolution period come of age and enter Iran's civil society as adults, they will probably put incredible pressure on a social system that is already in trouble. Unemployment is the main problem that confronts young people in Iranian society. Youth unemployment is approximately twenty-five percent and the near-term outlook is not good. This has created additional problems, as young people are not able to marry until later in life

because of the associated costs. From a cultural perspective, marriage and the birth a male heir are extremely important in Iran's patriarchal society. Therefore, this is a significant motivational factor for changes.

In short, significant groups within Iranian civil society are not satisfied with the policies and performance of the conservative clerics that are currently in power. As the conservatives seem unwilling to make meaningful changes, there is a reaction that they need to be replaced. To date, the people have used the electoral process to replace conservatives. This ongoing process began with the election of Khatami in 1997. Therefore, it is reasonable to conclude that Iran is currently in a transitional period and the likely outcome of that process will be increased democracy.

## V. CONCLUSIONS AND RECOMMENDATIONS

### A. SUMMARY OF FINDINGS

This thesis has explored the prospects for political transition in Iran by evaluating recent events in the political, economic, and civil arenas. In each arena liberalization was used to measure the progress of the transition process. The findings of this thesis are summarized in Table 5.1.

**Table 5.1 Potential for Democratic Transition in the Islamic Republic of Iran.**

<b>Arena</b>	<b>Support for Political Transition</b>	<b>Impediments to Political Transition</b>	<b>Potential for Political Transition*</b>
<b>Political Society</b>	Antiauthoritarian political culture, Majority of elite favor liberalization, Pro-reform political groups, Increased political participation	Authoritarian political culture, Strength of conservative elite, conservative political groups	Moderate
<b>Economic Society</b>	Implementation of fiscal reform, Privatization, Increased foreign investment,	Statist economic model, Lack of investment capital, xenophobia	Moderate to High
<b>Civil Society</b>	Demographics, Youth unemployment, Media, Student groups, Politically active women	Active conservative media, Conservative women	High

\* High = Support for democratic principles and liberalization is readily apparent.

Moderate = Limited support for democratic principles and liberalization is apparent.

Low = Support for democratic principles and liberalization is not apparent.

#### 1. Political Society

The prospects for political transition in Iranian political society are moderate.

President Khatami continues to be the pro-reform movement's leading advocate. Thus far, Khatami has managed to implement pro-reform policies despite considerable opposition from the conservatives. Additionally, he has avoided the pitfalls of extremism by promoting tolerance and calling on all parties to observe the rule of law. Khatami's leadership during the Tehran University riots demonstrated his loyalty to the regime and

his commitment to the rule of law. Consequently, Ayatollah Khamenei's support for the President and his pro-reform policies has increased.

Conservative clerics in the Majlis and the Council of Guardians are the primary obstacle to further liberalization and political transition. However, they are scrambling to protect their base of power, as they may lose their legislative majority in the upcoming parliamentary election.

Finally, the Iranian people favor liberalization and democracy, and they oppose the conservative clerics. Over the past two years the popularity of the pro-reform movement has grown steadily. This support is perhaps the most significant factor effecting the prospects for continued liberalization and political transition.

## **2. Economic Society**

The prospects for continued liberalization and further democratization of the Iranian economy are moderate to high. Conservatives and reformers both support the move towards a market economy. In the past year, Iran has taken a number of steps to reduce the government's involvement in the economy. Privatization of industry, greater access to foreign investment capital, deregulation of the banking industry, and a conservative fiscal policy should unleash market forces that will eventually help to heal Iran's ailing economy. Nevertheless, Iran faces a far greater economic challenge.

Unemployment is Iran's most serious economic problem. President Khatami has declared that Iran needs to create approximately 750,000 new jobs a year for the next

fifteen to twenty years. As Iran fails to meet this ambitious goal it is highly probable that support for political reform will increase. Ironically, this may prove to be the most powerful force supporting further liberalization and political transition.

### **3. Civil Society**

Although severely repressed for almost two decades, civil society in Iran has reasserted itself with a vengeance. The avant-garde of Iran's civil society is the pro-reform student organizations and the media. Both have acted as a catalyst for reform by highlighting the regime's inconsistent and illegitimate actions. Focusing the spotlight of public scrutiny on the questionable practices of the ruling clerics, student organizations and the media have helped mobilize other segments of civil society.

Women and youth are two groups within civil society that have only recently realized their own power. They essentially founded the pro-reform movement when they voted for Khatami in record numbers. Since 1997, both groups have advocated greater liberalization and increased democratic participation.

Accordingly, the prospects for increased liberalization and political transition in Iranian civil society are high.

## **B. CONCLUSIONS**

The research presented in this thesis supports three basic facts. First, Iran's political, economic, and civil societies have changed significantly since the election of President Khatami in 1997. Second, these changes have extended greater rights and

freedom to the citizens of Iran, as such they are liberalizations. Third, these changes or liberalizations were not the result of a one-time event, they are part of a process that is ongoing.

These facts support the two main arguments of the hypothesis presented in this work. First, the Islamic Republic of Iran is currently in the midst of a political transition. Second, the ruling clerics will be forced to change or forced from power as a result of that political transition. In short, the question is not whether political transition will occur in Iran, but rather when will the ruling clerics be forced from power?

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